

FINANCIAL TIMES

Europe's Business Newspaper

WEEKEND APRIL 30/MAY 2

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Watchdog fines
Norwich Union a
record £300,000

Norwich Union, one of Britain's biggest insurers, became the second company in three days to receive a record £300,000 fine from Lautro, the life insurance industry watchdog. The fine was imposed for breakdowns in management control relating particularly to the implementation of higher training and competence standards. The regulator was also concerned about recruitment procedures and "fact finds" — the checking of information gathered by sales agents. It said the failures "had risks for potential customers". Page 22: PIA chief warns on disclosure. Page 4

Blow to Ulster peace hopes: Sinn Féin president Gerry Adams dealt a further blow to hopes of an early end to violence in Northern Ireland, as security forces investigated reports of a tenth sectarian killing in the province in nine days. Page 5

S Africa awaits poll result: South Africa will wait anxiously most of this weekend for the results of its flawed general election. Page 22: S Africa poll chaos casts doubt on result. Page 3

Ford of the US: the world's second largest vehicle maker, more than doubled net profits to \$1.5bn in the first quarter, excluding a one-off charge for the sale of First Nationwide Bank. Page 8; Ford cuts dealer margins. Page 4

Pope breaks leg in fall at Vatican: Pope John Paul II was recovering in a Rome hospital after surgeons inserted a metal replacement for the head and neck of his femur, fractured in a fall in his bathroom. The Pope, 73, will need to spend about three weeks in bed and postponed a planned visit to Belgium. It was his second fall in six months, and renewed concern among his advisers about his demanding schedule. Page 2

America's Indians lobby White House: Leaders from more than 500 American Indian tribes gathered at the White House for a rare chance to press their concerns at the highest levels of the US government. Page 2

Poll hits Tory poll hopes: Support for the Conservatives is running at just 20 per cent in the run-up to next week's local elections, compared with 45 per cent for Labour and 25 per cent for the Liberal Democrats, according to a Mori poll in today's Times. Election 'own goal', Page 5

Exporters agree to curb bribery: The world's leading exporters agreed to curb bribery of foreign government officials to secure contracts, in the form of a voluntary code of conduct due to be adopted by the OECD. Page 2

Bosnian Serbs in talks: A US and Russian-led delegation met Bosnian Serb officials in their mountain headquarters for "tentative and exploratory" talks aimed at salvaging the peace process. Page 2

Canadian Pizza shares fall 46p to 120p: when the management issued a profits warning just five months after the company's flotation. Page 8

Lancer Boss staff back German takeover: Senior management and employees at Lancer Boss, Bedfordshire-based lift truck producer which went into receivership earlier this month, are throwing their weight behind a takeover by Jungheinrich of Germany. Page 4

LVMH: world's largest luxury goods group, is expanding its perfume interests by raising its stake in French fragrance house Guerlain in a FFr1.96bn (\$220m) share deal. Page 9

Attack on proposed tobacco ad ban: Newspaper and magazine publishers attacked a private members' bill that would outlaw tobacco advertising, warning that such a ban would "amount to censorship and set a dangerous precedent". Page 4

Mombasa ferry capsizes: Rescuers recovered 44 bodies after a ferry carrying rush-hour commuters capsized near the Kenyan port of Mombasa. State-run Kenya Broadcasting Corporation said up to 300 people were feared drowned.

The Financial Times will not be published on Monday, May 2

STOCK MARKET INDICES

FT-SE 100: 3,125.3 (+4.8)
Yield: 3.88

FT-SE Midcap 100: 1,462.92 (+1.14)
FT-SE-A All-Shares: 1,580.44 (+0.24)

New York Industrial: closed

Dow Jones Ind Ave: 3,602.58 (+14.27)

S&P Composite: 451.16 (+0.06)

US LUNCHEONTE RATES

Federal Funds: 3.14% (same)

3-Mo Treasury Bills: 3.941%

Long Bonds: 5.71% (5.25%)

Yield: 7.25%

LONDON MONEY

3-Mo Interbank: 5.1% (same)

Libor long gilt future: Jan 105.2, Jun 105.6

NORTH SEA OIL (Argus)

Brent 15-day (June): \$15.45 (15.4)

Gold

New York Comex (June): \$377.8 (376.8)

London: \$378.1 (375.2)

Tokyo close Y closed

STERLING

New York: 1.513 (1.513)

London: 1.5163 (1.5073)

DM: 2.5126 (2.5167)

FF: 8.6125 (8.6301)

Fr: 2.1942 (2.1444)

Y: 153.882 (153.571)

£ Index: 80.3 (80.4)

DOLLAR

New York: 1.66185 (1.66185)

DM: 1.66185 (1.66185)

FF: 5.6905 (5.6905)

Fr: 1.499 (1.499)

Y: 101.35 (101.35)

London: 1.66185 (1.66185)

DM: 1.66185 (1.66185)

FF: 5.6905 (5.6905)

Fr: 1.499 (1.499)

Y: 101.35 (101.35)

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NEWS DIGEST

New suspect in VW 'spy' case

The daughter of the prime suspect in the VW/General Motors industrial espionage investigation was the original source of some of the new potential evidence turned up recently by German state prosecutors, it emerged yesterday. A diskette containing data on cost-reduction planning at GM, the existence of which was made public by the German authorities earlier this week, was compiled by Ms Begonita Lopez, daughter of the US group's former purchasing director, Mr Jose Ignacio Lopez de Arriortua. Mr Lopez has told his present employer, Volkswagen, that his daughter, now 22, gathered the information for a student thesis while on a work-study placement with GM shortly before his abrupt departure for VW in March 1993.

Ms Lopez is known to have been temporarily employed in the Chevrolet marketing department during the relevant period. Officials close to that affair said that after a "complaint" from GM lawyers Ms Lopez was now being treated formally by investigators as a suspect along with her father and three of his closest associates. All former employees of the US group, they followed him to VW within days of his leaving the US. Mr Lopez's lawyers last night dismissed the suspicions as groundless. They claimed the diskette found in Ms Lopez's room contained material she gathered while studying at the independent General Motors Institute. Christopher Parkes, Frankfurt

Seoul rejects treaty proposal

The US and South Korea have rejected a proposal by North Korea to replace the armistice agreement ending the Korean War of 1950-53 with a peace treaty between Pyongyang and Washington. Washington and Seoul said the dispute over North Korean nuclear inspections must be resolved first before a peace treaty would be considered.

North Korea has revived the peace treaty proposal, one of its main diplomatic goals, as part of an attempt to win a security guarantee from the US, possibly in exchange for allowing full nuclear inspections. Pyongyang has refused to consider signing a peace treaty with Seoul by claiming South Korea is not a signatory to the armistice. North Korea has threatened not to participate further in meetings of the military armistice commission if negotiations are not opened with the US on a peace agreement. John Burton, Seoul

Poland may end wage controls

The Polish government has told Solidarity it will consider removal of wage controls if the trade union agrees to a highly controversial reform of the country's pension system which has been long demanded by the International Monetary Fund. Yesterday Mr Waldemar Pawlik, the prime minister (left), criticised Solidarity for organising strike action but offered to talk about the union's demands within the framework of a tripartite committee bringing together representatives of unions, employers and the government, which also met yesterday. Pensions are linked to wage levels throughout the economy and increase periodically as wages rise. Mr Pawlik said removal of wage controls by the end of this year would have to be accompanied by a change to indexing pensions. Christopher Bobinski, Warsaw

C Europeans speed tariff cuts

The four central European countries agreed yesterday to advance the timetable for tariff reductions by three years and establish a free trade zone by the end of 1997. Poland, Hungary, the Czech Republic and Slovakia agreed on flat cuts in customs duties on industrial goods of between a quarter and a third to take effect from July 1 this year.

Under the terms of the 1993 Central European Free Trade Agreement (CEFTA) about half of regional trade is already free and another large class of goods will be liberalised at the end of 1996. Yesterday's additional accord brings forward forward full liberalisation for sensitive products from end-2000 to end-1997, but the tariff schedule for "most sensitive" products will remain. Nick Denton, Budapest

92 trade unionists murdered

The extent to which trade union rights are denied across much of the developing world emerged in a report yesterday which found that 92 trade unionists were murdered last year in 14 countries.

The annual survey of the International Confederation of Free Trade Unions, published yesterday (FID), listed 91 countries with poor trade union records and recorded about 1,000 attacks on trade unionists in 22 countries. Richard Donkin, Labour Staff

Russian giants form new group

Avtovaz, Russian maker of Lada cars, and Kamaz, Russia's biggest truck-manufacturer, plan next month to form a financial-industrial group with a commercial bank called Avtovazbank. Mr Vladimir Khadzhanikov, chairman of Avtovaz, said the alliance would help them raise capital on more favourable terms. Leyla Boultouk, Moscow

ECONOMIC WATCH

French jobless rate stabilises

The French unemployment rate remained stable in March for the third successive month at 12.3 per cent, the employment ministry said yesterday. The number of people out of work rose by 8,600, or 0.3 per cent, during the month to 3.32m people, or one in eight of the workforce. However the number of jobs lost in March, as in January and February, was significantly lower than in many months last year. The slower pace of job losses and recent publication of a survey showing improvement in business confidence has encouraged economists to be more positive about the economic outlook. Alice Rauschorn, Paris

Industrial production in eastern Germany rose by over 17 per cent for the first two months of this year compared with the same period last year, the German economics ministry said yesterday. The strong growth sectors continue to include the construction industry, up 26.5 per cent and mining, which rose by 17 per cent in January and February compared with the same period of 1993. Judy Dempsey, Berlin

■ South Korea's economic growth forecast for 1994, as measured by gross national product, was revised upward to 7.6 per cent from 7 per cent by the Korea Development Institute, a government think-tank. The revised forecast compares with the country's 5.6 per cent GNP growth in 1993.

■ Russia's trade surplus widened 48 per cent to \$5.13bn (£3.4bn) in the first quarter from \$3.44bn a year earlier, according to figures from the ministry of foreign economic relations.

■ The Russian central bank yesterday lowered its discount rate at which it lends money to commercial banks, to 205 per cent from 210 per cent a year.

S Africa poll chaos casts doubt on result

By Patti Welch in Umtata, KwaZulu



South Africa's first all-race elections may yet turn out to have been relatively free and fair; but if they do, no thanks will be owed to the Independent Electoral Commission, the body charged with conducting the poll.

Though polling took place in an atmosphere of political tolerance unprecedented in South Africa's history - a tribute to the spirit of ordinary South Africans who put aside their rivalries for a time - the IEC has managed, singlehandedly, to cast doubt on the fairness of the vote.

Through incompetence compounded by deceit, the Commission provided countless invitations to fraud. And the sad irony is that the Commission's records are in such disarray that no one will ever know - or at least be able to prove - just how many illegalities actually took place.

The catalogue of IEC inefficiencies and negligence would be funny if its consequences were not so serious. On the eve of the poll, scores of idle IEC media officials were unable to provide the name of even one polling station in Soweto, the biggest black township in the



A young boy passes an ANC sign in the black township of Katlehong, Johannesburg, yesterday.

Township violence has dropped but tensions remain between ANC supporters and local Zulus.

nation. When details were finally furnished, they turned out to be incorrect.

But that was no more than annoying. According to officials within the IEC itself, the commission has no idea of the location of the 35m ballot papers despatched for the poll; papers were sent to central distribution points, but what happened to them after that, no one knows.

When reports of shortages started coming in, the commission printed additional papers. But these have no serial numbers or counterparts, making it impossible to reconcile them afterwards.

Appropriately, the commission does not know exactly how many extra papers were printed, because some were done locally. Estimates range from 8m to 12m.

what happened to those original ballots.

There can be few more open invitations to fraud than to send excess ballot papers to an area such as Transkei, its administration corrupt and chaotic, its chief minister an ANC candidate.

Even before the voting, Transkei head Gen Bantu Holomisa symbolically handed over the keys of the "homeland" to the ANC. It is difficult to believe that he and his supporters could not find ways of using excess ballot papers to improve their party's performance.

The tragedy is that no one will ever know whether they have done so - or whether the rival Inkatha Freedom Party has done the same in KwaZulu.

In both areas, electoral officers are almost entirely drawn from the "homeland" civil service, and neither civil service employs many people who do not toe the line of the

ruling party.

In almost every case, agents

from the dominant party are the only ones present at polling stations - along with IEC monitors, again local people with predictable party sympathies, and international observers who make fleeting visits which could never detect secret frauds.

No records are kept of the names of those who have voted, and there is no voters roll, so there is nothing to stop electoral officers from completing a few thousand ballots and

stuffing them into boxes undetected.

And in both areas, temporary voter cards are issued on the flimsiest proof of identity and age. In KwaZulu, the word of the local chief or induna (headman) is sufficient; but chiefs are paid by the KwaZulu government and are solidly behind Inkatha.

Given a system with so few in-built controls, it will be impossible to tell whether electoral officials, party agents, or the two working together colluded to stuff ballot boxes with illegal papers - though if it turns out that 25m or 30m South Africans voted, more than the 22m estimated voting population, this will be a clue.

Not to be put off by facts, Judge Johann Krieger, the IEC chairman, has already declared the election an "outstanding success." One can only wonder how he would define a failure.

For though violent political intimidation, so much a feature of the election campaign, was totally absent from the poll, the administrative mess engineered by the IEC could still jeopardise the result. One could assume that fraud on both sides will largely balance out (though smaller, cleaner parties will suffer), or take a charitable view of human nature and assume few irregularities took place.

Any element of doubt could still cause political problems in the new South Africa.

Foundations laid for Palestinian state

Julian Ozanne considers the impact of the Israeli-PLO economic agreement

Yesterday's economic agreement between Israel and the Palestine Liberation Organisation gives the Palestinians the ability to influence their economy for the first time in modern history.

More important for the PLO, the agreement allows for limited independent economic decision making. This could lay the foundation for a future Palestinian state. The PLO hoped to achieve in negotiations with Israel which are due to start in 1995.

"People will start seeing Palestinian ports, airports, television stations, economic institutions," said Mr Nabil Shaath, senior PLO negotiator. "They will see a real opportunity to develop their future."

Yet the accord, essentially a free trade and customs union, keeps the Palestinian economy largely within Israel's broad macro-economic trade and taxation policy, recognising the dependence of the territories on their neighbouring economic giant for the foreseeable future.

The Palestinian economy, backed by \$2.5bn (£1.7bn) of international aid over five years, can thus expect to

enhance the benefits from association with Israel's \$67bn economy, including continued migrant labour.

The challenge will be to solve massive unemployment, overhaul neglected infrastructure and reverse years of stagnation which have left the 1.5m Palestinians in the occupied territories with per capita income one seventh that of Israel.

While critics from both sides will attack the agreement, the great achievement of the accord has been to balance the economic reality of Palestinian dependence on the protected and regulated Israeli economy, with the PLO's political need to show its people that it is on the way to statehood and economic independence.

In all of the areas of the agreement - trade, taxation, monetary policy, agriculture and labour - Israel and the PLO have demonstrated their ability to strike this difficult balance. In trade the two economies will have a similar overall import and customs policy, reflecting Israel's staggered trade liberalisation which envisages reducing all import duties to a uniform 15 per cent rate by 1998.

Increasing the number of Palestinians who work in Israel from the present figure of about 16,000 to at least

However, the Palestinians will be able to import all products freely except five items - tomatoes, cucumbers, potatoes, eggs and broiler chickens. These five products will be subject to increasing quotas over four years which will be phased out in year five. Agriculture contributes at least 25 per cent of the Palestinian economy and employs a quarter of the workforce.

The Palestinians will establish a monetary authority to regulate and supervise banks, set liquidity ratios on deposits, manage foreign currency reserves and oversee foreign exchange transactions. However, the two sides have yet to

agree whether the Palestinians will be able to issue their own currency and until agreement is reached the Israeli shekel and Jordanian dinar will remain legal tender.

Both sides agreed that Palestinians will need to find expanded work opportunities in Israel although, due to Israel's security concerns, no final figure has been agreed on the number of Palestinian workers Israel will allow.

Increasing the number of Palestinians who work in Israel from the present figure of about 16,000 to at least

100,000 is critical to the short to medium term viability of the Palestinian economy. Israel will transfer 75 per cent of the income tax it collects on Palestinian migrant workers to the Palestinian authority.

The agreement will apply to the Gaza Strip and West Bank enclave of Jericho, due to come under Palestinian self-rule after next Wednesday's signing of an agreement in Cairo. The economic accord will later apply to the rest of the West Bank, with minor exceptions, after Palestinian elections due in July but almost certain to be delayed.

To strike the agreement, both sides have had to risk the fury of domestic opposition. Israel will face stormy criticism from protected interests in its agriculture and manufacturing sector who will be seriously undermined. The PLO has already been accused by many Palestinians of selling out the aspiration for an independent economy after more than a quarter century of Israeli occupation.

But western economists believe both sides have been wise to choose economic pragmatism over political nationalism.

She spent the week trying to persuade opponents of MFN renewal that human rights advances could better be achieved through trade than by isolating China.

"I don't think anybody else on this earth is more concerned about human rights than Hong Kong," she said. The city-state is to revert from British to Chinese rule in 1997.

With just five weeks left before Mr Clinton must decide on MFN, other Tibetan interests were lobbying this week. The Tibet Fund, a non-profit group which helps support Tibetan refugees, this week sent each member of the US Congress a tie of Tibetan design, bearing tags with pictures and names of individual Tibetan children.

the Golden Key companies but it is claimed that he sold it before the controversial loan was made in 1982. The Bapindo-Golden Key loan agreement, meanwhile, seems to have disappeared, if it ever existed.

Members of the ruling Golkar party not only exposed the scandal over Mr Tansil and Golden Key but also criticised another company, the Kanindo textile group of Mr Robby Tjahjadi, for having \$700m of outstanding debts to Bapindo; the Kanindo issue surfaced briefly in the Indonesian media but has now been buried, probably on the orders of a senior official implicated in the matter.

Disclosures about the activities of the banks are nevertheless likely to be restricted by the desire to protect the Suharto family and other influential Indonesians from over-eager investigators.

A government programme to reform and recapitalise the state banks - financed by the Indonesian budget, by converting

ARAFAT VISITS GERMAN CONGLOMERATE

Daimler mixes business and diplomacy

By Quentin Peel in Bonn

When Mr Yasser Arafat, chairman of the Palestine Liberation Organisation, lands in Stuttgart on Monday, his hosts will no doubt provide him with the very latest in protection. They are well-equipped to do so.

He is not coming to see the German government, nor any of his normal counterparts in the political process, but that other German empire - Daimler-Benz, manufacturer of the four-tonne armoured limousine.

Yet this is not, say Daimler's senior officials, an exercise in salesmanship or self-promotion. Germany's largest

industrial conglomerate claims it is throwing its commercial weight into the Middle East peace process, in what it says is an example of business diplomacy.

Mr Arafat will be shown a splendid display of all the main products of the Stuttgart-based empire, from Mercedes limousines to Unimog trucks, buses, Airbus and Fokker aircraft, helicopters, even the engine unit of an ICE high-speed train, all set out in the piazza of the company headquarters. He will visit the Mercedes plant at Tirmel, and the company museum, designed to appeal to his background as an engineer.

But the company says the real purpose, promoted by Mr Edward Reuter, Daimler's chief executive, is to demonstrate the support of a business empire for the political negotiations between Israel and the PLO.

The unlikely initiative has official blessing from Chancellor Helmut Kohl and Mr Klaus Kinkel, his foreign minister, as well as Israel.

In talks in 1992 with both Mr Yitzhak Rabin and Mr Shimon Peres, Mr Reuter spelt out his belief that a small, highly industrialised state like Israel, would only have good economic prospects if its neighbours could be drawn into a common market. He urged an

international confidence in the banking sector, the country has more than 200 commercial banks, but the seven state banks account for half of banking business and the top 10 private banks for a further 35 per cent.

However, the scandal has helped the growing private bank sector (some of the state banks' more reputable clients have moved their custom to the stronger private banks) and shown the seriousness of government efforts to reform the banking system whereby bankers approve loans on the basis of an instruction from an influential official rather than on the economic merits of the scheme for which the money is theoretically being disbursed.

The disclosure of the extent of the difficulties faced by Indonesian state banks has had both good and bad results for the Indonesian authorities.

It may have further dented

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NEWS: UK

Lancer Boss staff unite to back German bid

By Andrew Baxter

Senior management and employees at Lancer Boss, the Bedfordshire-based lift-truck producer which went into receivership this month, are backing a takeover by Jungheinrich of Germany.

It comes amid yesterday, however, that the Hamburg-based company is facing a serious challenge for Lancer Boss from Terex, the US industrial and construction machinery group,

which entered the lift-truck business in 1992.

Mr Allan Griffiths, a partner at Grant Thornton and one of the administrative receivers at Lancer Boss, said there was a shortlist of three potential purchasers for the business.

According to a senior manager at Lancer Boss, two "very serious" bids have been made by Jungheinrich and Terex. The third approach is understood to come from a

A management buy-out is said to have been discussed, but according to the senior manager there is no buy-out proposal at present. Potential management "buy-ins" have also been proposed.

Amid continuing speculation about the identity of potential purchasers of Lancer Boss, one report suggested that Hanson, the Anglo-US conglomerate, may also be interested. On Thursday the ITV

television programme Anglia News said it had received a fax, purporting from the receivers to departmental heads at Lancer Boss, to which a handwritten addition names Hanson and Jungheinrich.

Hanson said yesterday that it never commented on rumours or market speculation. The senior manager at Lancer Boss said staff from Grove, the Hanson crane company, had visited Leighton Buzzard but that Hanson's involvement was a

"non-starter" and probably too late. He said staff were solidly behind the Jungheinrich bid, which would produce a "much better fit" than a takeover by Terex. Managers of the UK company were even prepared to offer a "seven-figure sum" to top up the German company's offer so that it could win the contest.

Jungheinrich has already bought Steinbock Boss, the former German subsidiary of Lancer Boss, from a German receiver, and the trading

relationship between Steinbock and Lancer is crucial to the Bedfordshire company.

Mr Simon Valente, convenor for the GMBU general union at Lancer Boss, said Jungheinrich had told him that it wanted to "invest money, secure jobs and recruit people".

Mr Griffiths, meanwhile, said he was "reasonably confident" that he would be in a position to complete a sale of Lancer Boss by the end of next week.

PIA chief warns on sales cash disclosure

Mr Joe Palmer, chairman of the Personal Investment Authority, yesterday warned that new regulations requiring sales agents to disclose their commission "will not be a panacea". Norma Cohen writes.

Mr Palmer told the conference in Brighton of the National Association of Pension Funds: "Many people are justifiably concerned about commission bias. But I'm not sure that changing the commission structure will be a panacea which ushers in a new utopia."

Mr Palmer also said that the Treasury and the Securities and Investments Board were still concerned about the ability of a small life insurer to regulate the sales activities of a much larger tied agent, such as a building society.

Illegal video copies found

Reliance Mutual Insurance Society yesterday agreed in the High Court to pay £150,000 in compensation and costs to two video companies after more than 125 illegally copied training films were found at the society's head office in Tunbridge Wells, Kent, and a branch office in Cambridge.

The action was brought by Video Arts, founded by comedian John Cleese, and Melrose Film Productions.

Tax staff show switch to Labour

Substantial numbers of Inland Revenue staff plan to switch their votes from the Conservatives to Labour, a survey by MORI, the research organisation, for the Inland Revenue Staff Federation has found.

The poll of 1,000 federation members found a 14.5 per cent swing from the Tories to Labour since the 1992 general election, with 62 per cent supporting Labour, 12 per cent the Conservatives and 24 per cent the Liberal Democrats.

B&C writ issued

Barclays Bank yesterday said the administrators of British & Commonwealth Holdings, the collapsed financial services group, had issued proceedings against B&C. Barclays securities arm, for an unspecified amount. The action is in connection with B&C's acquisition of Atlantic Computers.

Cost tracking

A total of 13 of the largest railway stations have so far had their signs repainted or replaced in the colours of Railtrack at a cost of £27,821. Mr Roger Freeman, transport minister, said yesterday, Railtrack took over British Rail's infrastructure at the beginning of the month.

Pit may reopen

Markham Main Colliery near Doncaster, South Yorkshire, is expected to reopen under private management in a deal set to be completed this weekend. Coal Investments, headed by British Coal's former commercial director Mr Malcolm Edwards, is negotiating to lease the colliery.

Deal on LBC

London News Radio yesterday agreed with Arthur Andersen, receivers of the London Broadcasting Company, to take over LBC. The deal needs Radio Authority approval.

Last round-up for landfill cowboys

Taxpayers may foot the bill for higher waste disposal standards, says Bronwen Maddox

At midnight tonight tough new rules aimed at driving "cowboys" out of the waste management industry come into force.

The effect, according to the waste companies, will be to treble or quadruple the cost of rubbish disposal by the end of the decade. While large waste companies have welcomed the rules, they warn that those costs will eventually be passed on to industry and consumers.

According to Mr Steve Charles of Redland, the building materials group, which runs more than 20 of the UK's landfill rubbish dumps, "the new regulations certainly will impose more monitoring requirements and more costs, but we have been following many of these [practices] for some time".

Friends of the Earth, the environmental pressure group, has argued that taxpayers could be left with the bill for cleaning up landfills whose operators have rushed to hand in their licences before the new rules apply.

The new rules, whose introduction has been delayed for a year while contradictions with European directives were sorted out, will make holders of landfill licences:

- Demonstrate that they are "fit and proper" to run the site.
- Monitor landfills after they are closed, possibly for 50 years, and clean up any pollution.

- Demonstrate that they have the financial resources to meet these long-term liabilities.

The rules aim to curb the problem of ill-designed and poorly managed landfills leaking poisons into the soil and water tables, and emitting polluting gases such as methane.

About 5,000 UK licences were in issue in 1990. Many were held by farmers or small quarries, who gained extra revenue by allowing rubbish to be tipped on their land.

About 90 per cent of UK waste now goes to landfill, a small amount to recycling and



Mounting concern: household waste being unloaded at Cory Environmental Pollution Control Services, at Mucking, Essex, yesterday

Bankers reject freer societies

By Alison Smith

Leading banks have launched a campaign to stop building societies being given a new range of freedoms as a result of the government's review of the Building Societies Act 1986.

The British Bankers' Association has submitted a memorandum to the Treasury which argues that the existing regulatory regime for societies is justified, given their unique privileges. The review was announced in January as part of the deregulation initiative.

The association argues that changes to societies' powers should be looked at on the merits of each case, but that the legal framework - which some societies want removed - should be retained so long as they are mutual organisations.

In recent months competition between banks and building societies for market share in mortgage lending and for retail deposits has intensified.

The first element of the review's conclusions is

due to be released next month is expected to include an increase in the ceiling on the amount of money that societies can raise on the wholesale markets, from 40 per cent to 50 per cent.

It is also expected to reduce the need for societies to communicate individually with their millions of members in some circumstances.

Abbey National and TSB have been among the most vocal banks arguing that societies should not receive greater freedoms without having to become more accountable to their members.

While the emphasis in the association's memorandum is on maintaining the existing restrictions, some banks would like to see the rules on takeovers relaxed.

Mr Peter Birch, chief executive of Abbey National, has proposed ending the power of societies' boards to block an offer from another organisation by refusing to put it to society members for a decision.

Tory peer criticises finance bill verbiage

By Iain Owen, Parliamentary Correspondent

Lord Cockfield, the Conservative peer and former Treasury minister, yesterday criticised the length and complexity of the finance bill before it completed its passage through the House of Lords.

He contrasted the 259 clauses and 26 schedules in the 482-page bill with the brevity of the legislation that introduced the pay-as-you-earn income tax regime in the 1940s. Lord Cockfield said that only 10 or 15 pages had been needed to establish PAYE, which remained the bedrock of the taxation system.

He said the impetus provided by earlier Conservative administrations to simplify the tax system had been lost, and legislation was being introduced that was "more and more complex, more difficult and more unintelligible".

Lord Cockfield called on ministers to devote more effort to the style of legislation.

Lord Boyd-Carpenter, another Conservative peer and former Treasury minister, said the bill's tax increases had been made necessary by the government's failure to restrain expenditure.

The bill is expected to receive royal assent on Tuesday.

Car servicing faces 'tough future'

By John Griffiths

A harshly competitive future is being predicted for the car repair and servicing industry. Several thousand outlets are forecast to close as a result of improved car reliability and the projected ability of many vehicles to travel 30,000 miles between services by the end of the decade - more than double the present norm.

This means the retail market for servicing and repairs will grow in value by just 14 per cent between now and the year 2000 from \$6.4bn to \$7.2bn - a decline in real terms, says Market Facts & Business Information, the research group.

Although environmentalists fear that "cowboy" operators, anxious to avoid the new liabilities, will have rushed to hand back licences to local authorities before the May 1 deadline, there are no national figures on how many licences have been surrendered in the past

two years, since the form of the new rules became clear.

However Mr Steve Webb, policy director of the National Association of Waste Disposal Contractors, which represents most of the waste industry, said: "My impression is that it has been more drags and drags than a rush. If the pay-off for getting dodgy operators out of the industry is that they surrender their licences, so be it. If they were unable to meet their liabilities, the cost would come back to the taxpayer anyway."

The Department of the Environment has estimated that the new rules could increase the cost of waste disposal through landfill by 80p per tonne. Typical charges range from £3 to £16 a tonne.

But waste companies say the new rules create new problems. No commercial operator is now likely to take over a half-filled landfill from another private company or local authority because of the unknown pollution risk.

The companies say it has also become nearly impossible to get long-term insurance to cover pollution risks.

He said the standard of service quality with which those services are delivered, "is the study's author, Mr Robert Macnab, said.

Interviewing 1,000 motorists for the study, the group found that drivers still largely mistrust the retail service and repair trade.

As a result, it concludes, the successful participants in the market will increase their share of the business by using high-quality service as a competitive advantage. "The losers will be those who pay for service to customer-service quality," it said.

While the report warns that independent garages are most at risk, it predicts that there will also be a further decline in the number of franchised dealerships which make up the remainder of the 31,000 companies operating in the sector.

Garages need to realise that there is a significant difference between providing the various services motorists need, and

from motorists, who will require longer opening hours, a wider range of services and guarantees of quality on workmanship.

They will also face demands for higher standards of service

according to its survey. The survey analysed reports to FMS's insurance claims management department last year.

Directors and senior managers were the worst offenders, while the most common form of accident - 10 per cent of the total - was hitting obstructions while reversing.

This followed a decision by Ford and other leading carmakers last year to reduce the traditional margins of 15 per cent.

Earlier this month Vauxhall launched its Omega model with a list price based on 15 per cent margin for dealers.

Ford has already gone a step further with its new Probe coupe. The cheapest model costs £15,995 and dealers are simply being given a handling

charge of about £1,000 with no formal profit margin.

Rover is also understood to be launching two "tax-beater" versions of its Rover 800 executive cars, where dealers will receive only a £500 handling charge.

Volvo and Renault have taken similar action.

The moves will save buyers substantial amounts on their company car tax bills under the scheme based on list prices introduced earlier this month.

Proposed tobacco advert ban attacked

By Diane Summers, Marketing Correspondent

Newspaper and magazine publishers lined up yesterday to oppose a private members' bill that would outlaw tobacco advertising, warning that such a ban would "amount to censorship and set a dangerous precedent".

The bill, proposed by Mr Kevin Barron, Labour MP for Rother Valley, is due to reach its report stage on May 13. The government, which opposes the bill, was surprised by the scale of support for the measure at second reading when MPs voted by 227 to 17 in favour of it.

In an attempt to pre-empt the bill, it is still possible the government will announce before May 13 that it has reached agreement with tobacco manufacturers on stricter voluntary controls on advertising.

MPS are being urged by newspaper and magazine publishers to "reassess their support for the freedom of the press, the freedom of speech and the freedom of consumer choice by rejecting any attempts to outlaw advertising of products legally and freely available in the UK".

A statement circulated to MPs yesterday was signed by industry groups including the Newspaper Publishers Association, representing national newspapers; the Newspaper Society, which represents the regional and local press; and the Periodical Publishers Association, representing magazines.

The Advertising Association, the umbrella group which has been co-ordinating opposition to the bill, calculates that the publishing industry stands to lose about £50m a year in advertising revenue if a ban goes ahead.

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Saturday April 30 1994

The high yen vice

As soon as a theory of exchange rate determination is generally accepted as true, events prove it false. This seems to be an iron law of economic life.

Once upon a time changes in trade balances were thought to determine movements in exchange rates. Then money supplies, prospective inflation and relative interest rates were believed crucial. Thereupon, prospective returns on real assets seemed decisive. Now the weakness of the US dollar and strength of the yen suggest that trade flows are again the major factor. Other explanations for why the yen has nudged its all-time record high against the US dollar are not easy to find.

Unless investors have taken leave of their senses, a popular non-economic explanation – shifts in political confidence – can be rejected. President Clinton's administration may have had its rocky moments, notably over the Whitewater affair. It will probably have such moments again. But Japan can barely boast a government at all. Only this week the Social Democratic party – angered by their coalition partners' decision to form a new conservative grouping, led by Mr Tatsuo Hata's Japan Renewal party – walked out of the coalition. The socialists thereby deprived the government of a parliamentary majority just hours after it had elected Mr Hata prime minister.

Changed views about the prospects for inflation may provide part of the explanation for the recent strength of the yen. Japan has virtually no consumer price inflation, while producer prices have been falling since November 1992, by 2.2 per cent in the year to February 1994. Such price declines are likely to continue, partly because of the strength of the yen, but also because the latest data belie earlier hopes of recovery.

Industrial production

Japan's industrial production, for example, fell 3.1 per cent in the year to March 1994. Output was up in March itself, but the Ministry of Trade and Industry has argued it will fall once more in April and May. In March, housing starts fell for the first time in 22 months, while unemployment rose to the highest level in seven years. True, the rate stood at 2.8 per cent, which demonstrates that Japan's economic problems are not quite like those of anyone else.

Japan's inflation may turn out to be still lower than had earlier been thought, but US inflation is unlikely to be much higher. The only thing likely to frighten markets about prospects for US inflation would be foolish pressure from the administration on the Federal Reserve. The nominations of Mr Alan Blinder and Ms Janet

Yellen, though self-proclaimed pragmatists on inflation, are hardly likely to scare the horses that much. It may be revealing, however, that a lower than expected growth rate in the first quarter led to a small rise in long-term interest rates.

One reason why US prospects for inflation have hardly deteriorated have been the increases in short-term interest rates imposed by the Federal Reserve since early this year. Partly because of this and partly because Japanese short rates fell in the second half of last year, short-term interest rate differentials have moved in favour of the US dollar, by almost two percentage points, since mid-1993 and by almost one percentage point since the beginning of 1994. Yet since mid-1993, the US dollar has failed to strengthen against the yen and has even weakened in the course of this year.

Fundamental fact

If changes in nominal returns on short-term securities fail to explain the strength of the yen, those on longer-term assets are also unpersuasive. Returns on long-term bonds have been negative everywhere, including in Japan. Japanese equities did rise 18 per cent between early 1993 and mid-March, while the US market went nowhere. But more recent news suggests that economic prospects in Japan are deteriorating.

The fundamental fact underlying the relation between the US dollar and the yen is the persistence and size of the Japanese current account surpluses, at \$131bn in 1993 and forecast by the International Monetary Fund at virtually the same level this year and in 1995. Meanwhile, there has been a pronounced decline in the willingness of Japanese investors to purchase long-term foreign assets since the late 1980s. This puts the burden of offsetting the current account surplus on more price sensitive short term capital flows.

If the current account is the main factor driving the exchange rate, there is reason to worry. Higher exchange rates have little medium-term effect on the Japanese surplus. There is a danger of a vicious circle of stagnation, high current account surpluses, a higher yen and then still more stagnation.

The best way out of the dilemma would be for the Bank of Japan to lower interest rates and buy US dollars, driving down the yen and expanding the economy. Unlike the Fed, which intervened yesterday, it could do this without limit. In practice, it is too frightened by the experience of the bubble economy to try. So while bureaucrats and politicians fiddle, prospects for a strong Japanese recovery burn away.

MAN IN THE NEWS: Jean-Luc Dehaene

New contender as Mr Fixit

Jean-Luc Dehaene is hardly a household name. Built like a slimmed-down version of Chancellor Helmut Kohl, the bespectacled Belgian prime minister is known at home as the "fixer", the "plumber", or, simply, the "waterhouse".

The idea that Mr Dehaene might succeed Mr Jacques Delors as the next president of the European Commission seems hard to credit. Many Belgians are rubbing their eyes in disbelief. In Britain, where the ruling Conservative party risks splitting apart over Europe, Mr Dehaene is already being caricatured as the Beast from Brussels.

An editorial in *The Sun* newspaper summed up the mood: "Dehaene is dedicated to a United States of Europe. He wants more power for Brussels... Dehaene will decide what's good for us."

Much of the fuss is premature. The struggle over the succession to Mr Delors is taking place in secret, among the EU's 12 heads of government. They will decide who gets the top executive job in Brussels, most likely when they meet at the European summit in Corfu in June. Since the choice must be unanimous, there is plenty of time for horse-trading.

Yet it would be foolish to ignore Mr Dehaene. He is a man of hidden talents with powerful friends. The most important is Mr Kohl, who encouraged him to become a candidate last year as an alternative to Mr Ruud Lubbers, the long-serving Dutch prime minister.

Mr Lubbers seemed the natural choice for the job, despite a long-shot bid by Sir Leon Brittan, the chief EU trade negotiator, and a possible future entry by Mr Peter Sutherland, who announced this week that he was leaving as head of

the new World Trade Organisation on January 1 1995 – which just happens to coincide with the end of Dr Delors' tenure.

The Kohl-Dehaene connection gelled over a dinner in Brussels last October. The occasion was a special European summit called to decide the location of more than a dozen new Euro-institutions. By far the biggest prize was the European Monetary Institute, the forerunner of a future European central bank.

Mr Kohl was desperate to secure that this was the minimum needed to appease the German public's fears about giving up the D-Mark for a future single currency. The Dutch and British were holding out for Amsterdam and London.

Dehaene was a model of self-control. He sat perfectly still and let the others run out of steam until they realised there was no other answer [to Frankfurt].

Mr Dehaene's style impressed colleagues during the six-month Belgian presidency of the European Union which ended last December. Aside from resolving the two-year battle over the division of Euro-spoils, the Belgian premier presided over the entry into force of the Maastricht treaty, the reconciliation between France and its EU partners over the Gatt world trade talks, and the successful adoption of Mr Delors' white paper on jobs, growth and competitiveness.

What is striking is that the 33-year-old Belgian premier contributed to these successes when political tensions at home caused by high unemployment, labour unrest and last summer's currency crisis, But he also favours greater devolu-

The conversation is about Mr John Major's prospects of survival. The minister sitting across the restaurant table hopes he will have on to 16 Downing Street. But he is just as uncertain as the rest of us about the prime minister's chances.

The Tory leadership has disappeared these past weeks from the front pages. The respite is misleading. As the May and European elections approach, the talk at Westminster is of nothing else.

Scratch beneath the surface and there is something else. Some senior Conservatives have begun to think the unthinkable. The question they ask is not whether the prime minister will last the summer but whether the party he leads can be saved from self-destruction.

Back in the restaurant, the minister wants first to know how active Mr Michael Heseltine's lieutenants have been. Is the trade secretary, the favourite for the succession, encouraging them to campaign? Have colleagues been promised jobs in a Heseltine government?

And what about Mr Michael Portillo, the Treasury chief secretary? Is it true that the 40-year-old guardian of the Thatcherite torch has decided he will, after all, stand in any leadership contest? What is the judgment among political journalists on how many of the Euro-sceptic right would choose Portillo over Heseltine?

The talk turns to the fading fortunes of Mr Kenneth Clarke. Six months ago the chancellor was everyone's front-runner. Now he has disappeared from view. It is time, his friends say, for Mr Clarke to resurrect his profile.

The discussion has a surreal quality. Most ministers are horrified that the party which once prided itself on discipline and unity might turn out a Tory prime minister for the second time in four years.

Mr Major won the general election. For all his faults he has held the party together over Europe. Economic recovery is at last a visible reality. In six months or a year the government's fortunes might be transformed.

But the fatalistic speculation permeates every conversation among the journalists, ministers, and Tory backbenchers who daily fill the restaurants around Westminster.

They are waiting for the explosion. The ordinary business of government is paralysed. The fear – and for many the expectation – is that the local elections on May 5 and the poll for the European Parliament a month later will convulse the Conservative party.

The clock on this electoral time-

Philip Stephens on the fault-lines that may threaten the prime minister's survival

The clock starts to tick for Major



ters and backbench Tory MPs alike. The dispossessed on the right are floating possible "stalking-horse" candidates to unseat Mr Major in the autumn if he cannot be persuaded to go quietly in the summer.

The names most commonly mentioned are Mr Norman Lamont, the embittered former chancellor, and Mr Kenneth Baker, the distinctly

Eurosceptical former home secretary.

Mr Major is aware of the risks. The talk in 10 Downing Street is of a strategy for survival during the summer. His planned cabinet reshuffle may come sooner and be more extensive than we think. Friends are assured that the prime minister is more determined than

ever to remain in office. The leadership crisis may, anyway, be a symptom rather than a cause. There is the possibility that the Conservatives are on the threshold of self-destruction. Ministers no longer dismiss the thought that a split over Europe might do to the Conservative party in the 1990s what the divisions over economic policy did to Labour in the 1970s. It is not lost on them that the opposition has spent 15 years in the political wilderness in its efforts to repair the damage.

There has been much superficial sound and fury at Westminster this week. Mr Major does not have a masterplan to threaten Britain's withdrawal from the EU if its partners do not accept its agenda at the intergovernmental conference due in 1996. Nor has the prime minister torn up the manifesto drafted by Mr Hurd for the election this June.

But two important things have happened. The Eurosceptics on the backbenches have been gaining new recruits for a more uncompromising stance against further deepening of the Union at the 1996 conference.

Encouraged by one or two of their cabinet allies, they have also floated the idea that Britain might soon face a stark choice between deeper entanglement in a European super-state and withdrawal from all but the EU's trading dimension.

For the overwhelming majority in the government that is an absurd option: in Mr Hurd's words, it is out of touch with geographical reality, with commercial reality and with the reality of collective security.

Try telling that to the cabinet minister who has been musing that his party made a historic mistake 30 years ago when it embraced Europe, or to the Tory MPs whose political thinking was shaped by the angry rhetor of Mrs Thatcher's approach to Brussels.

Mr Major and Mr Hurd throw bridges over the chasm in the party by emphasising Britain's decentralising agenda is at last making headway with its partners.

But the sceptics have grown bolder in their defiance, scathing about the prime minister and careless of the electoral consequences. Better to be honest in opposition than corrupt in government is how one of them put it recently.

So it may be that the Conservative party is destined to break itself apart over Europe. The coming weeks may signal not just another Tory leadership battle but a seismic shift in British politics. As the minister put it as he left the restaurant: "If we get rid of another prime minister, the Conservative party will not be worth leading."

The angst of Croydon Man

James Blitz tests Tory support in a London borough

And yet, the Conservatives may be on the verge of an historic defeat. At the last local election in 1990, Labour made impressive gains on the council, coming within six seats of taking control. On Thursday, only 500 Tory voters have to switch allegiance in the right wards and Labour will take power. "If we lose it would be very serious for Croydon," says Sir Peter Bowes, who has been the council's dapper and energetic Tory leader for the past 18 years. "And I have no doubt that it is something that would have to be taken very seriously on the national level too."

In an intense campaign, Labour

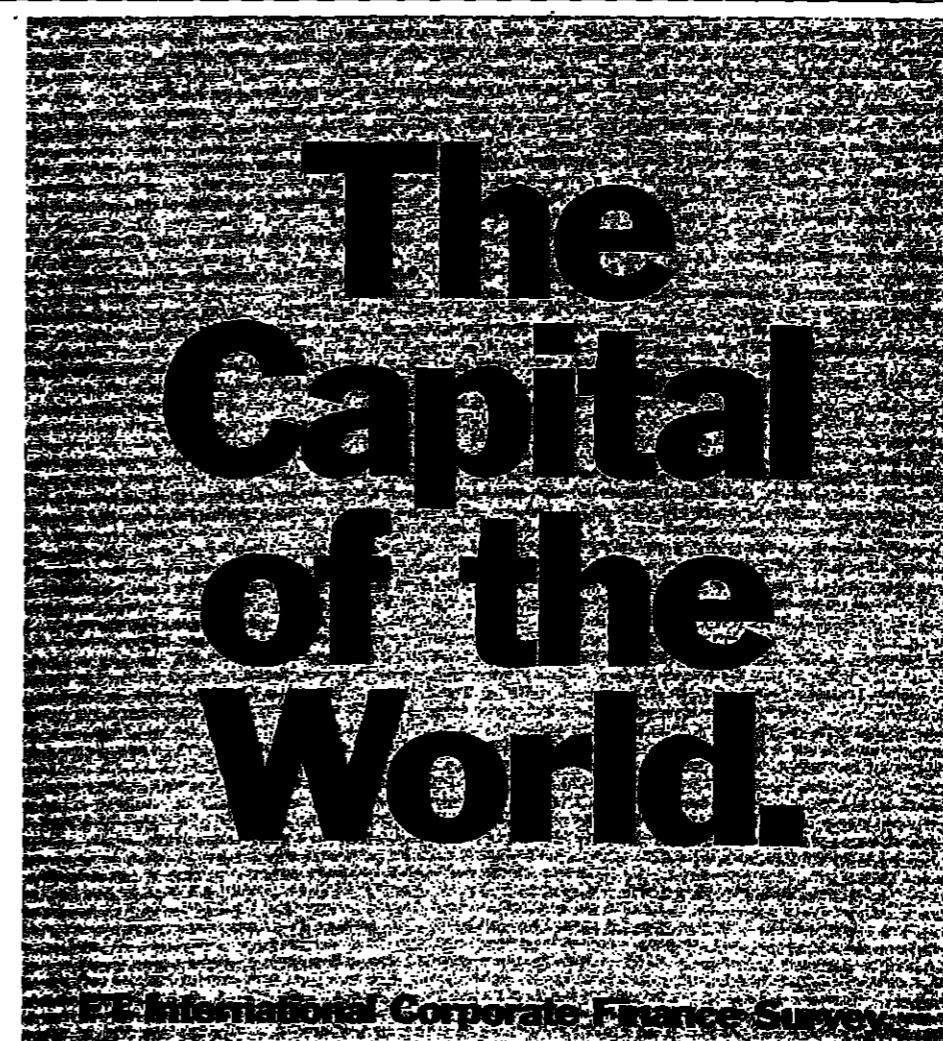
is focusing on local economic problems. Several banks in the town centre have recently announced redundancies. British Gas, with its large regional headquarters, is in the throes of restructuring its national operation, which may lead to job losses in Croydon. And, as in all London suburbs, the property depression has brought misery to those with large mortgages.

"The stake-out in financial services and mortgage lending has taken its toll," says Mr Jeff Dixon, who is masterminding the Labour party's campaign. "We may have to push through numerous civic projects with success: a large Oxford Street but few have

been going there recently."

For the Tories, Sir Peter is still "cautiously optimistic" of victory. In spite of the apocalyptic scenario painted by Labour, unemployment in the borough has fallen in the last year, he says. Only one of the office blocks in the town centre is empty. Yesterday, there was speculation in a local newspaper that a large US insurance company might open a regional office in the town.

The Tory vote ought also to gain from the energy of Sir Peter's administration in recent years. It has pushed through numerous civic projects with success: a large library in the town centre opened



The Financial Times International Corporate Finance Survey will be published with the FT on Thursday, May 5.

It will provide important insights into the flow of capital across borders in an era of rapidly increasing global competition.

Among the topics it will examine are the revival of mergers and acquisitions activity, the opportunities offered by privatisations and industrial restructuring and the inflow of capital into the emerging markets.

So if you have an interest in world-wide investment, be sure to acquire a copy of the FT on Thursday, May 5.

FT. Because business is never black and white.

Lionel Barber

WeekendFT

SECTION II

Weekend April 30/May 2 1994

DRUGS

Nicholas Woodsworth stumbles into the world of international trafficking in Bolivia and meets two people whose lives it has wrecked

It is not often in the peregrinations of a travel writer that, independent of his own will, events simply walk up and take over. If a bag of mine containing documents and money had not been snatched within a day of my arrival in Bolivia, I might have wandered blithely on my way and ended up with a different tale to tell - a rural road, perhaps, of precarious and bumpy Andean bus rides, Indian villages and tractable llamas. As it was, events decided their own peculiar course, and I return with two decidedly less idyllic stories from Bolivia's cocaine wars. One is intimate, and concerns the private life of a young Bolivian woman drawn unwittingly into the shady world of international drug trafficking and enforcement. The other is public, and involves an increasingly violent contest between American-trained para-military patrols and machete-swinging coca-growers in the jungles of lowland Bolivia. Together, they have shown me more of the bumps and precariousness of life in Bolivia than a dozen Andean bus rides.

Even to the casual wanderer, Bolivia is an odd kind of place. Flying into La Paz is like falling into the bright, illustrated pages of a *Tintin* story - suddenly everything becomes a gross Latin American caricature of itself.

At least so it seemed to me. In wrap-around sunglasses and brilliantined hair, the customs man at the airport could not have looked dodgier if he had tried. On the way into town the taxi driver's short-change trick was more blatant than taxi drivers' tricks elsewhere. The city's street kids looked more ragged and snoot-nosed than other street kids. Bolivian army officers wore higher-peaked hats, broader pasteboard epaulettes and more yards of gold braid than officers in other third-world armies.

And everywhere, under strange little bowler hats and ear-flapped toques, were the dark, stolid faces of Bolivia's Indians, as impassive and unchanging as the surrounding Andean peaks. The whole city, shimmering in thin, clear air 12,000 feet above sea level, seemed to me slightly fevered and unreal, a South America we dream.

What would you do, in such a place, if you suddenly found yourself bereft of papers and money the day after you arrived? One moment I was contentedly eating lunch in a crowded terrace restaurant. The next, my bag snatched from the chair beside me, I was a man without an identity. With no more than a dozen words of Spanish, I did what I imagine most people would. I panicked. I threw myself on the mercy of the only English speaker I knew - the newly-hired receptionist at the small pension where I was staying - and pleaded for help.

There are better ways, perhaps, of meeting attractive young women in odd corners of Latin America. But in retrospect it seems to me appropriate that I should have met Maria del Carmen Lopez de Shaw in a moment of high emotion and crisis - it is the stuff of which her own life appears principally to be made.



Coca leaves on sale in La Paz: the business of cocaine is more profitable than all other Bolivian export businesses combined

Paz's valley bottom and have abandoned the city's spectacular heights - and its bone-chilling Andean winds - to the poor. High up the steep valley side we wound to Vino Tinto, a poor area of scavenging dogs and wandering drunks and Jerry-built houses of rough brick and adobe.

I was perplexed. Carmen's home did not match the image I had of the bright, enterprising, go-ahead person who was helping to pull me out of a mess. There was just one room with four iron-framed beds ranged along a wall. Three small children, almost as dark-skinned as Carmen, played on the floor at the feet of an elderly grey-haired woman. In one corner, under a naked light bulb, were a small cooking ring and tub of dish-water. There was a toilet down the stairs. The whole place was pinched and poor and hopeless.

Carmen saw my gaze. "It's complicated," she said with a tired shake of her head. "It's been like this for years. I've had enough. Perhaps tomorrow I will explain." We bundled Carmen's children and mother into the taxi. They took a room at the pension.

That evening Carmen made a call from the lobby telephone. I could not help listening. She was seeking advice on the possibility of having her husband, Peter Shaw, arrested and deported from Bolivia on the grounds of illegal entry. In the end she was persuaded not to call Interpol - it was Friday, a day the police needed money for weekend entertainment, and Shaw might have bought his way out of prison. I did not sleep well, but lay awake wondering what it was all about, and what Carmen was afraid of.

□ □ □

The following day brought more Bolivian strangeness. There was a call from a prisoner in La Paz's San Pedro jail; a friend on the outside, he said, had brought my papers to him. We could meet him in the prison with the \$100 reward announced in the paper.

Carmen did not like it - she suspected some sort of set-up. Instead she sent a Bolivian friend, more street-wise than I, to investigate. No sooner had he left than a second call - a genuine one this time, came in. My discarded bag - cash gone but all documents intact - had been found. Off we rushed to the gassy San Pedro to rescue Carmen's friend, and my money, from a certainly unpleasant fate.

To celebrate we went that evening to Julian's, a smart Italian place opposite the offices of an international agency I had never heard of before, the United Nations Drug Control Programme. Again I was struck by the contrast between Carmen's familiar ease in this sophisticated place and her slum life in Vino Tinto.

Carmen's manner, though, grew less easy as dinner progressed and she tried to explain her life. It came out tearfully, a ragged and disjointed series of episodes

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NEXT WEEK: The fight against the coca-growers

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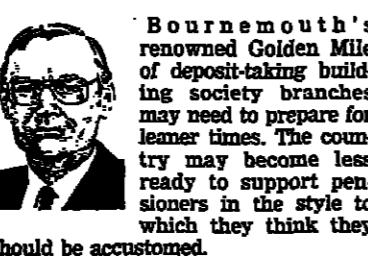


In the footsteps of Don Quixote to a land of giants

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Long View/Barry Riley

Expensive promises



Bournemouth's

renowned Golden Mile

of deposit-taking building

society branches

may need to prepare for

leaner times. The country

may become less ready to support pen-

sioners in the style to

which they think they

should be accustomed.

Certainly, times are bad for the per-

sonal pensions industry, which staggers

under the impact of the misselling

scandals, and faces yet another inquiry by

the Securities and Investments Board,

this time into the advice given to people

who opted out of occupational schemes.

Yet the occupational schemes them-

selves are becoming nervous about

their long-term position. This week the

National Association of Pension Funds

announced that it was sponsoring an

independent 18-month inquiry into the

long-term adequacy of incomes in

retirement, apparently in an attempt to

wrestle the troubled pensions agenda

away from the bungling politicians.

For many years retirement incomes

have been provided in the UK through

a compromise between the public and

private sectors. But the government is

determined that state provision will

diminish: the basic state pension is

already worth only 21 per cent of the

average wage, and being linked to

prices rather than earnings, it will

steadily shrink further in importance.

The state earnings-related scheme,

Serps, is meanwhile threatened by

adverse demographic trends in the

early part of the 21st century.

However, the government's strategy

to head off this future crisis by diverting

people into personal pension plans,

has run into a whirlpool of misselling,

excessive costs and disappointed expecta-

tions.

The occupational schemes look com-

fortable and prosperous by comparison,

fattened up as they have been by three

years of high investment returns. But

their membership coverage has never

been much more than about half the

working population and they may be

about to shrink quite significantly.

The whole concept of a paternalistic, lifelong savings plan run by the employer is looking increasingly out of date in an insecure age of high mobility and part-time working. Moreover the government is picking off the technical dodges that made company schemes relatively cheap and attractive to run.

For instance, the deferred pensions of leavers can no longer be frozen regardless of inflation, a legislative change which has raised transfer values sharply. The "cap" on qualifying salaries, now £76,800, will progressively reduce the ability of the highly-paid bosses to raid the company funds when awarding themselves big, pensionable salary rises late in their careers.

Now the company funds are agonising over the approach of a minimum solvency standard. Until now companies have been able to adopt a high risk, high return investment strategy, sharply reducing their contribution rates, but posing the possibility that in a future stock market crisis there might not be enough in the pot to meet claims.

A government white paper, due this summer, is likely to argue that in the wake of the Maxwell scandals, and to permit a compensation scheme to be introduced, companies must provide

better backing for worst case conditions. In order to improve the security of scheme members in this way, the employers must be forced to recognise and provide for their liabilities, which will be costly.

In this area, however, the drift of the government towards means-tested benefits is worrying. This applies not just to the cut in the real value of the basic state pension but also to the switch of long-term health care of the elderly from the National Health Service (free) to the social security budget (means-tested). Universal handouts may seem wasteful but, if this switch goes too far, people earning around average incomes, and perhaps above, may conclude that saving for their old age will leave them no better off than those who live the life of Riley.

Bournemouth is under no immediate threat. It is probably unwise to worry about possible future demographic imbalances which will generate their own solutions: people will work a few years longer, and many will be per-

haps happy to do so.

But the pensions industry is getting

ready for changes.

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MARKET

London

Enterprise bid fails to set stocks aflame

Maggie Urry

The first £1bn-plus hostile bid in London for three years, Enterprise Oil's offer of £1.45bn for Lasmo on Thursday, has done little to shake the market out of its fixation with UK interest rates.

This obsession is growing tedious. As the chart shows, gilt-edged yields and the yield on the Footsie have been slavishly following the yield on the US long bond this year.

The point was emphasised this week when the Footsie managed to rise on Wednesday, the day Wall Street was closed for former president Nixon's funeral, and again on Thursday morning, but reversed that afternoon when Wall Street reopened weaker.

The fear that has coupled the markets together is that the UK economy will follow the pattern of that in the US. There economic recovery is expected to lead to inflation and yet higher interest rates.

There are several arguments against this. First, the US is hardly suffering rampant infla-

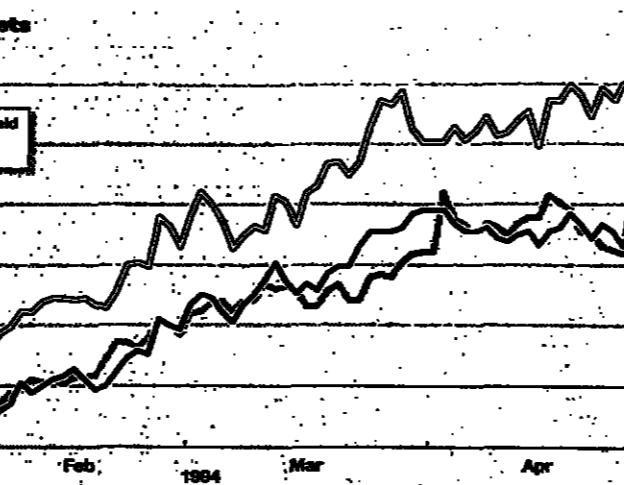
tion or oppressive interest rates as yet. And the suggestion from the US this week was that economic growth is settling down, while interest rates have only returned to a "normal" level having been artificially low.

In the UK the economic recovery is lagging behind the US. And while there are some signs of inflationary pressures beginning to build once more, they are only faint. The CBI quarterly survey said this week that there were no signs of overheating.

Another topic for them will be the impact on pay packets and the economy of this month's tax increases, which monthly-paid workers are beginning to feel.

This bears on one market trend spotted by Richard Jeffrey, equity strategist at Charterhouse Thiney. He points out that from 1985 until 1992 the consumer sectors of the market substantially outperformed the manufacturing sectors, as Britain's industrial base declined.

But over the last 15 months



Source: Datastream

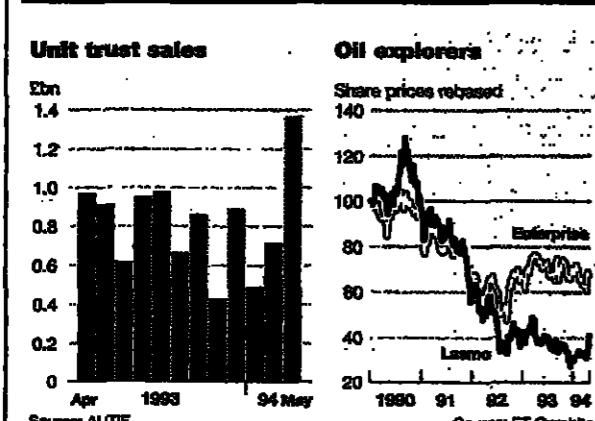
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Jun Feb Mar Apr

HIGHLIGHTS OF THE WEEK

	Price y/day	Change on week	1994 High	1994 Low	
FT-SE 100 Index	3125.3	-8.4	3520.3	3086.4	Reaction to bond markets
FT-SE Mid 250 Index	3781.1	-8.4	4152.8	3752.9	Profit-taking
BAT Inds	4691	+26%	570	4351	Purchase of American Tobacco
British Gas	268	-20	358	220	Profits warning/dividend worries
Compass	315	-22	374	305	2300s US buy/rights issue
Enterprise Oil	416	-32	438	398	AB-paper bid for LASMO
Gerrard & National	468	+82	515	395	Good results/GNI deal
Kingfisher	577	-29	778	544	BMW "self/DIY" concerns
Kleinwort Benson	478	+29	693	438	Optimistic agt statement
Logica	303	+20	314	270	Hoare Govett "buy" note
Reckitt & Colman	672	+31	723	595	Smith New Court recommendation
Reuters	531%	+26%	539%	439%	Well received presentation
Sage Group	598	+38	600	507	Interim profits up 26%
United Biscuits	361	+22	388	324	Bid talk revives
Vickers	200	+11	202%	172	Break-up bid talk

AT A GLANCE



Unit trust sales reach new monthly record

Unit trust sales reached a new record of £1.37bn in March, more than £200m above the previous best month, September 1993, when net sales were £1.16bn.

Strong sales of unit personal equity plans were an important factor in the record sales. Peps, which shield investments from capital gains and income tax, accounted for about three quarters of total net sales to private investors in the first three months of the year.

Peps sales are normally strong in the closing weeks of the tax year (which ended on April 5). And this year sales were also spurred by fierce price competition among companies selling unit trust Peps. Price competition is now spreading to other unit trusts as well as those wrapped in a Peps. (See Invesco, Page V.)

Hostile bid for Lasmo

Enterprise Oil launched a £1.45bn hostile takeover bid for rival explorer Lasmo yesterday. If successful, the offer would bring together the UK's two largest independent oil and gas explorers into a single group valued at more than £2bn.

The offer is the largest hostile bid in the UK since BT's £1.47bn offer for Hawker Siddeley in 1991. If the bid succeeds the enlarged company would rank fourth among North Sea explorers, after British Petroleum, Shell and Exxon.

Lasmo attacked the bid as a contrived paper offer which would dilute significant growth potential for shareholders.

Halifax raises rates

Halifax has raised interest rates on two fixed-rate investment accounts by up to a percentage point. Gross rates on the minimum of £2,000 in Guaranteed Reserve are now from 4.7 per cent on a six-month deposit, to 7 per cent for three years. The corresponding rates on £10,000 are 5.1 per cent and 7.15 per cent. Returns on Stepped Income Reserve, a five year account which pays a return which increases each year, are 6 per cent, 6.5 per cent, 7.5 per cent, 8.5 per cent and 10 per cent gross in years one to five.

Two new 'Which?' editions

New editions of two of the staple Which? financial handbooks should save you from adding your memory with too many boring facts. Which? way to save tax 1994 makes it possible for self-flagellatory to handle their own tax affairs. Which? way to save and invest does a splendid job on the mechanics of investment and savings, though it has understandably little feel for stockpicking. Both books cost £13.99 in paperback.

Smaller companies creep up

Smaller company shares crept upwards this week. The Hoare Govett Smaller Companies Index (capital gains version) gained 0.6 per cent over the week to April 28, to close at 1758.10.

After a long, cruel winter, New York was more than ready for the baking hot sunshine that arrived suddenly last Sunday. There was almost a carnival atmosphere as the city basked in the parks, gardens and sidewalk cafes. People were filled with optimism that when they returned to their offices on Monday morning, they ploughed their money into shares, sending the Dow Jones Industrial Average up more than 57 points - one of its biggest single-day increases this year.

Nothing of significance had changed over the weekend: so anyone who had been around the week before would have been baffled by the explanation offered by analysts for Monday's rise. It was down to strong corporate results, they said, in particular from DuPont, the chemicals group, and Boeing, the aircraft manufacturer.

All last week, the message had seemed clear. The market was obsessed by the fear of inflation - or more precisely, the fear that the Federal Reserve would push up interest rates to prevent it. The week had begun with another tightening of the monetary screw by the Fed, and investors believed the higher cost of borrowing would increase businesses' debt costs and

Gerrard & National has a slight image problem. In spite of the constant television appearances of Professor Tim Congdon and Brian Reading, who head its Lombard Street Research subsidiary, the group's public profile is very low key. More importantly, most people in the City who think of it at all think of it as a discount house, one of the City's more arcane and venerable institutions.

Yet last year almost half its profits came from its GNI Holdings subsidiary, a leading light in the new and exciting world of derivatives. Probably Europe's biggest broker in futures, options and other derivative products, GNI must be one of the City's fastest growing businesses.

Since 1985 GNI has increased its profits by an average of 45 per cent a year, jumping 75 per cent to £12.5m in the 12 months to January 31.

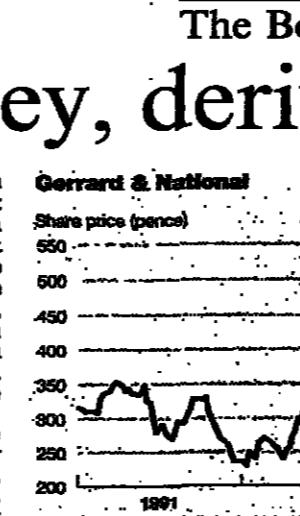
In contrast, profits from the discount house, Gerrard & National Limited, were just £2.6m in the year to April 5, or barely 10 per cent of the group

total. Admittedly, it was a difficult year for discount houses which are traders in short-term money market instruments and tend to do well when interest rates are falling. The previous year, which included the aftermath of the UK's withdrawal from the exchange rate mechanism, the discount house made £2.2m.

Discount houses should be able to damp this volatility with the use of derivatives but, in common with its rivals, Gerrard & National's strategy has been to reduce the discount house's importance within the group by expanding into businesses driven by fees and commissions.

In 1982 it formed a joint venture with a private client commodity broker in order to participate in the London International Financial Futures Exchange which

Gerrard & National



Source: FT Graphite

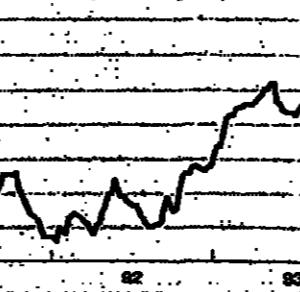
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The Bottom Line

Low-key, derivative approach

The Bottom Line



Source: FT Graphite

oil, commodities and metal exchanges and international commodity exchanges.

Since 1985 GNI's profits have increased from £600,000 to last year's £12.5m and the group expects strong growth to continue, particularly in fund management. Institutional

the benefit of other policyholders.

You cannot perhaps fault the insurance companies for being cautious. But they went to the other extreme. The value of the underlying investments had started falling well before the end of the 1980s in some cases. But insurance payouts continued to rise, partly because of "the need to demonstrate that with-profits still offers value for money in the face of unit-linked products".

And even when the first payout cuts came through in the early 1990s, they were far smaller than they would have been if related directly to the fall in underlying assets.

This is not quite as imprudent as it may sound. The companies have always practised "profit smoothing", and they used some of the profits not paid out in the 1980s to bolster payments in the early 1990s.

Profit smoothing is in some ways comparable to an industrial company paying a short-term dividend out of reserves. But there are crucial differences. First, the fact that a dividend is not covered by profits is obvious to any reasonably numerate investor. Second, dividend smoothing can be defended as being in the interests of longer-term investors. Smoothing insurance profits out between different generations of policyholders is robbing Peter to pay Paul.

The problem is not going to go away. Like all spendthrifts, the insurance companies are running through what's left in their smoothing accounts. True, another burst of abnormal stockmarket growth could come to the companies' rescue, but this seems unlikely. So insurance payouts are likely to be cut further.

And these are the companies who are saying "Trust me, I'm an actuary."

■ **With Profits Maturity Payments, Asset Shares and Smoothing, recently presented to the Faculty of Actuaries.**

bigger economic picture. Interestingly their 31-point fall was not as great as the plummeting bond market might have indicated. In early trading yesterday, stock prices rose while bond prices fell. Could this week's events have marked a de-coupling between stock and bond prices - the start of a period in which the share index might be driven more by fundamentals than mood?

As to the answer, it is anybody's guess. If it is any help, the weather forecast for New York next week is changeable. Meanwhile, the quote of the week award goes to Christopher Madell of Chicago Capital Markets, who told the New York Times: "Part of the problem I have with this market is that people always gather round at the end of the day and say 'Now why did I do what I just did?'"

So do we, Mr Madell; so do we.

Richard Tomkins

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own shares are on a low earnings multiple, that means the deal will not dilute its earnings this year and should enhance them thereafter.

The group also announced it was pulling out of gilt-edged market-making, where it has lost money recently, though remaining in gilts trading, where it has been profitable.

Last week's figures, showing profits of £25m (£25.2m), represented a milestone for the group which for the first time paid for its dividends from the profits of its broking division alone.

Having increased every year since 1989, dividends were edged up to 22p (21.5p) paid out of group earnings of 34.7p (33p).

Because of the volatility of discount house earnings, the City has traditionally valued their shares on the basis of their yield alone. But given the transformation of the group in recent years, the yield of 6 per cent on Gerrard & National shares suggests its image is lagging well behind events.

David Wighton

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	13 Electricity Cos.	Telefonica
	10 Water Cos.	Thyssen
	British Rail	World
FRANCE	BHP	China Steel
	Credit Local	China Cosmopolitan
	Elf France	China Petro
	Elf Aquitaine	China Petroleum
	White Pages	China Telecom
AGF	Credit Lyonnais	Japan
GAT	Post Office	East Japan Railway
	Guinness	NTT
	Post Office	JR Freight
	Thyssen	JR Tokai Railway
	Vodafone	JR West Railway
ASIA PACIFIC	Singapore	
SINGAPORE	Singapore Airlines	AT&T
	Singapore Telecom	AT&T
	Port of Singapore	AT&T
	Port Authority	AT&T
	Public Utilities Board	AT&T
	Singapore Food Ind.	AT&T
ITALY	Enel	BRAZIL
	Enel Commerciale	CSN
	Enel Italia	Uim
	Enel Italia	Cam
	Enel Italia	Light
	Enel Italia	Telbras
INDIA	AGIP	ARGENTINA
	Enel Italia	Compañia Argentina de
	Enel Italia	Telefonos Argentinos
	Enel Italia	Telefonos Argentinos
THAILAND	Thai Airways	
	Vietnam	
	Vietnam	

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FINANCE AND THE FAMILY

The week ahead

BAT profits cheer

The first-quarter figures from BAT Industries are expected to show a healthy rise from £95m pre-tax to about £105m. In spite of the much-publicised war on smoking in the US - which BAT faced this week by buying American Tobacco for \$1bn - its tobacco profits may be around the same as last year.

The real profits increase will come from insurance, through

further recovery by Eagle Star from its upsets in mortgage indemnity and through real progress at Allied Dunbar in the UK and Farmers in the US.

Sugar and sweeteners group Tate & Lyle is expected to report a £10m-£20m rise in

interim profits on Wednesday from £107.5m to £120m-plus. Most of the rise will come from US and Australian operations.

Improving markets for

Staley, its US corn starch business, will have helped profits, as well as recovery in its US sugar

business, hit last year by teething troubles at a new desugaring plant at its cane sugar operation, and difficult

trading conditions for its beet

sugar business.

Exchange rates will also aid profits. A rise in the interim dividend is expected in line with Tate's progressive policy.

Overseas growth, especially in the US, is expected to boost Body Shop International's final results when they are

revealed on Thursday. Pre-tax profits are likely to rise from £21.5m to between £25m and £27m, with UK operating profits a little ahead of last time's £11.2m.

The US should pitch in about \$4.5m (£2m last year), though this was affected by the move of the HQ to North Carolina. The dividend should rise from 17p to at least 18.5p.

RE reports its first-quarter results on Thursday. The weak oil price - \$4 a barrel lower - is likely to be counteracted by benefits from cost-savings, strong downstream margins in the US, lower interest charges and a swing back to profits in chemicals. Pre-tax profits will be about £25m, against £23m last time and £21.5m in the fourth quarter.

Thursday should see the revival of Bank of Scotland, whose good reputation slipped last year when it announced an 11 per cent fall in pre-tax profits. Pre-tax profits are expected to rise from £15.5m to £25m-£27m, or even as high as £28.5m.

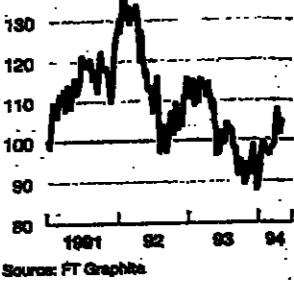
Last year's figures included a 45 per cent rise in provisions for bad debts which, the bank said, reflected the downturn moving north into Scotland, coupled with a further fall in asset values in the south.

The majority of its business is now in England rather than Scotland.

Apart from the drop in provisions, as a result of a fragile recovery in the housing market, the bank has also had an opportunity to reap a full year's benefits from being able to widen its margins in its sizeable mortgage lending opera-

Tate & Lyle

Share price relative to the FT-SE40 All-Shares Index



Source: FT Graphite

That widening of margins was an element in raising the bank's interim pre-tax profits announced last October by 58 per cent to £117.5m.

In general, the bank has won the reputation of being both less accident-prone than others, and of running operations efficiently.

The cost-income ratio it reported in the interim results fell to just below 50 per cent, and could fall slightly further, if it is able to expand its mortgage business.

At the interim results, Bruce Patullo, chief executive, made it clear that he expected a further improvement in fee and income commission through clearing bank branches.

The bank has been one of those identified as considering buying a building society: this would be one way of accelerating its growth, but the bank will not want an acquisition that would threaten its efficiency.

PRELIMINARY RESULTS

Company	Sector	Year to	Pre-tax profit (£m)		Dividends per share (p)	
			2000	1999	per share	per share
ABP	Ports	Dec	181,000	170,000	26.5	6.5
Airbus Nov Thail	Air Tr	170,000	150,000	1.37	1.20	1.0
Algebra	Chem	Dec	4,000 L	3,200 L	-	-
Anglo	Chem	Dec	523 L	524 L	-	-
Arco	Chem	Dec	95	97 L	-	-
BellSouth (US)	Telecom	Dec	670	6,000	7.8	5.4
Berry Black & Nodle	Offn	Jan	30,500	26,500	11.6	12.7
British Estates	Prop	Dec	10,800	8,200	14.1	14.1
Brown (David)	Chem	Feb	10,000 L	2,000 L	-	-
Buddingh International	Chem	Jan	1,530 L	1,330 L	-	-
CI	Eng	Jan	1,530 L	1,330 L	-	-
Copernic	EE	Dec	1,270	1,250	7.1	1.3
Derby	Offn	Feb	1,200 L	1,100 L	-	-
ER	EE	Dec	125	110 L	-	-
Exxon	Chem	Dec	10,000	9,000	2.0	1.8
Exide Holdings	Eng	Dec	1,800	1,700	2.55	1.35
Extrusion Ind	Offn	Dec	38,000	36,000	10.17	9.25
Exxon	Chem	Dec	1,550	1,540	23.27	20.50
Exxaro Mining	Min	Dec	2,400	2,400	9.78	10.81
Exxaro Exploration Co	Offn	Dec	1,230	1,230	-	-
Farnell Electronics	EE	Dec	46,100	41,000	24.4	6.2
Fazlani	Chem	Dec	15,000 L	23,000 L	-	-
Fleming Inc Cap Inv	Offn	Dec	87,02	77,50	-	-
Folies	Prop	Dec	1,720 L	1,000 L	-	-
General Income Fund	Offn	Apr	25,000	25,000	34.7	22.19
General National	Prop	Apr	450	1,200	-	-
Gen-Tech	EE	Jan	1,000	800	1.27	2.75
Gen-Tech Int'l	EE	Dec	8,000	7,000	17.77	15.50
Genexxus	EE	Dec	40	113	0.46	1.27
Genwest Tech	EE	Dec	1,470	1,000	11.28	10.49
Genwest	EE	Dec	895	7,000 L	0.2	1.20
Genwest	EE	Dec	3,800	4,400 L	2.31	12.5
Genwest Environment	EE	Dec	572	600 L	1.11	-
Genwest	EE	Dec	119	60	-	-</td

FINANCE AND THE FAMILY

No Indian tonic

The bulls have fled the Bombay market, says Shekhar Das

A couple of months ago investors were bullish about investing in Indian shares. Now the mood is subdued. The Bombay Stock Exchange's Sensitive Index has fallen by about 12 per cent to around 3,750 since the end of February. It may lose another 200 points or so before the rally resumes.

The mood began to change when it became clear that Bombay's antiquated settlement system could not cope with the sudden inflow of foreign funds. Clients were told that their orders could not be processed, new clients were turned away. The number of India funds has more than doubled over the past year - European and US institutions bought what they could, usually global depositary receipts (dollar-denominated parcels of shares) of Indian companies at inflated prices. After this frustrated enthusiasm, a drop in the market was inevitable.

Another problem has been the breakdown in relations between brokers and the regulatory body, the Securities and Exchange Board of India (SEBI). In an effort to curb excessive speculation, and make the market more transparent, SEBI banned *badla*, a method used by brokers to carry shares forward. Whatever its shortcomings, *badla* provided liquidity to a market that was otherwise dead.

The macro-economic environment has also deteriorated over the past couple of months. The budget, at the end of February, revealed an alarming expansion in the government's

deficit - 7.3 per cent of GDP. Inflation has risen to more than 10 per cent. The steady fall in interest rates, which investors had been expecting, no longer looks likely. Worst, the government seems to be slowing the process of reform in the run-up to elections in some southern states, due this winter.

For the marketing men of the fund management industry, these developments have taken some of the fizz out of India, which not so long ago was being hailed as the emerging market of the decade. But investors should have guarded against such type - it is rarely sensible to invest during bull runs. By the same token, it is often a good time to invest when markets are depressed.

The main reason for expecting Indian shares to provide a good return remains as cogent now as it was a few months ago: a huge market is opening in the country for everything from television programmes to toothpaste, and the companies that are well placed to meet its demands should prosper.

Moreover, the political risk is minimal for an emerging market. True, the pace of reform has slowed, but it should pick up at the beginning of the next electoral cycle. A fund manager with experience of the Indian market, and not under pressure to invest, ought to do well over two to three years.

■ The latest India fund on offer to British investors is the first UK-listed investment trust to specialise in India, writes *Bethan Hutton*.

New issues

Redrow upset

Plans by Redrow, Britain's biggest private housebuilder, to come to the market have been upset by the recent stock market jitters which have seen construction shares underperform the FT-SE-A All-Share Index by 8 per cent since the end of February.

The company, which earlier this year had been expected to command a market value of £350m, revealed on Thursday that it had scaled down its plans.

Redrow is selling 87m shares at 135p to raise £117m - giving the group a market capitalisation of £288m. Redrow is seeking to raise £5.4m from the sale of 41m shares while Steve Morgan, its founder and chief executive, is raising £22m from the sale of 46m shares, reducing his stake to 60 per cent.

Previously, Morgan had planned to raise £100m, reducing his stake to about 50 per cent. But he decided to reduce the size of the sale following the recent decline in building shares.

Up to 35 per cent of the shares will be sold to the public, the remainder placed with institutions. It is the third housebuilder to come to the market, behind Beazer Homes and Wainhomes both of which have recently been trading below their issue prices.

Shares should open at a small premium unless the market

collapses between now and dealings starting on May 17.

□ □ □

Hamleys, founded in 1760, is coming to the market in an offer of shares at 185p valuing the self-styled "finest toy shop in the world" at £42.3m.

Through the 1980s the company had a chequered history but new management led by Howard Dyer, chairman, and Stephen Woodbridge, managing director, has restored its purpose and profits over the past three years.

Operating margins have more than doubled to 17 per cent, boosting operating profits for the year to January to £3.6m. That only matched, however, the 1986 level.

Hamleys is heavily dependent on its flagship store in Regent Street, London.

It attracts 5m visitors a year, of whom 30 per cent buy something. The company plans to grow the business by opening small outlets in airports and tourist centres and to open concessions in other retailers.

At 185p, the shares were priced on a nominal historic price of 17.8, a discount to the retail sector's 19.

A nominal dividend of 4.7p for the year ended January 29 would give a gross yield of 3.2 per cent - higher than the sector average of approximately 2.8 per cent.

Shares should open at a small premium unless the market



India: the pace of reform has slowed

Invesco cuts unit charges

Scheherazade Daneshkhuh considers the reason for slicing initial costs

Investors have almost become blasé about unit trust discounts but, with the traditional end-of-tax-year PEP rush over, they will be seeing far fewer of them as most fund management groups have little reason to continue wooing investors.

This makes Invesco's announcement that it is cutting the initial charge on all its unit trusts and Peps to 3 per cent from 5.25 per cent from May 3 all the more startling. The cut is not a special offer but is part of a new pricing structure which is here to stay. The annual charge remains unchanged at 1.5 per cent on most funds.

This is not the first time that a fund management group has cut its initial charges but Invesco is by far the largest to do so. Lazard pioneered the move in the UK in 1983 when it abolished the initial charge on all its unit trusts.

Unfortunately, its initiative did not trigger an avalanche of competition but instead a very slow trickle. In 1992, Murray Johnstone reduced the initial charge across the board on its unit trusts to 1 per cent and Gartmore announced that it was abolishing the charge on one of its unit trusts - its UK index tracker.

The "no-load" and "low-load" fund, collective equity vehicles named with reference to the size of their initial charge, are common in the US but still rare in the UK, where the norm is an initial charge of 5 per cent.

In spite of the importance of charges, even the lowest of these will not prove much solace to an investor unless the performance is there to deliver the returns. A discounted initial charge can be a powerful marketing ploy, so investors

Earlier this month, Invesco reported sharply improved profits after a year of worldwide restructuring. It is also hoping to reduce costs

was 6.3 per cent - the spread on Lazard's UK income fund was 1.7 per cent.

That means an investor who put £100 into the Lazard trust had £98.30 of his money working for him but only £93.70 in Invesco's trust.

While the initial charge is important, the annual management fee can make a larger dent in an investment. Fund management groups with reduced initial charge make their money on the annual fee and on the increased volume of

business which they hope the move will engender. When Murray Johnstone reduced its initial fee, it raised its annual management charge from 1 per cent to 1.5 per cent.

In spite of the importance of charges, even the lowest of these will not prove much solace to an investor unless the performance is there to deliver the returns. A discounted initial charge can be a powerful marketing ploy, so investors

few years that the company would like to put behind it. Last year, Invesco was fined £750,000 after a two-year investigation by Imro, the self-regulating body for fund management organisations, for misconduct, including mismanagement of the Mirror Group pension scheme.

However, earlier this month, Invesco reported sharply improved profits after a year of worldwide restructuring. It is seeking unitholder approval. This should reduce its costs.

Alan Wren, managing director of Invesco fund managers, says the company has introduced a greater level of discipline to track risk and performance more closely but it will take time before the effect of these is felt in the performance tables.

These steps include creating an asset allocation group to work independently of the fund managers; creating a risk control group to limit the volatility of its funds and introducing tighter monitoring of stock selection.

Investors may prefer to wait to see the effect of these before rushing in and to hope that Invesco's price move proves catching.

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FINANCE AND THE FAMILY

A saga that goes on for life

Alison Smith with a question and answer session on life insurance agents and the disclosure of information to customers

The saga of forcing life insurance sales agents to volunteer more information to their customers has now been running for longer than some of the life policies being sold when the Office of Fair Trading first urged disclosure in 1987.

But progress is being made. In last Thursday's episode, the Securities and Investments Board, the City's chief watchdog, published the rules for how and when sales agents must volunteer this information, along with examples of what material they should provide to prospective customers.

Research which SIB published at the same time, estimated that the move to commission disclosure would benefit customers by £1bn a year when the full effects were felt - more than the extra costs faced by the industry.

What did the SIB actually do? It published examples of the short, stand-alone paper which sales agents will be obliged to give their customers, along with whatever other sales material they hand out.

On the first page, this paper must state the aims and risks of the policy, as well as the commitment the customer has to make.

It also tells customers what happens if they give up early on a long-term policy, and what the sales agent is getting paid for advising the customer to buy the policy.

What difference will this make to me, the customer? At the moment, sales agents do not have to volunteer some of the information set out in the paper: it should mean that you are better placed to decide whether you really want the policy or whether you think it is too expensive for how you might benefit.

But isn't life insurance too complicated for everyone except accountants and actuaries?

Not in terms of the sort of information that would be helpful in deciding whether you want to buy life cover. This new paper - the "key features" document that sales agents will have to provide - is pretty jargon-free, and has no small print or footnotes. It has been devised after three rounds of market research to see what is the best way of giving people this information, and is relatively straightforward.

Most recent research showed that even people who classed themselves as not good with numbers - or who admitted they found buying life insurance a bit nerve-wracking - found they could understand most of the paper's main points. And that is before the final revision to make it clearer still.

Will I be able to trust the figures in this paper about what the policy I might buy would yield?

No. They simply give examples of what you would get back from your policy after, say, 10 years assuming particular rates of growth. They are not a guarantee. What you get back would depend on how your investments had grown.

Life companies will have to use the same rate of growth for these illustrations, so you should be able to make a reasonable comparison, but the performance of different life companies' investments can vary.

Sales agents will doubtless be only too happy to explain how well the investments they are recommending have performed in the past, although they should make the point that past performance is not a guide to the future.

Do I have to do anything to get this key features document?

You do not have to do anything when you are talking to the sales agent - he or she is meant to give you this information without you asking. But, if the system is to work in terms of putting pressure on life companies to cut their charges, then you should be prepared to shop around and compare prices.

Many life companies have argued that their policies have to be sold and are not just bought, because people are so reluctant to think about

making provision for what happens when they die or when they retire. Regulators believe that people are sophisticated enough to make informed choices about what policies they buy. If the new regime of disclosure is to have its intended benefit the regulators will have to be right.

When will I get this information?

During the course of a sale, you should be given the key features paper as soon as you are seriously considering taking out a policy. If, for example, you have come as far as discussing a particular company's product with a sales agent, then you should have been given this paper. It is just about to sign a form agreeing to buy the product.

As for when the new regime itself will come in - well, there is still a bit of a wait. Life companies have been given until the beginning of next year before all of this becomes compulsory, and until the middle of next year before they are obliged to give you detailed figures which are entirely related to your own circumstances and the policy you are thinking of buying.

In theory, companies can adopt the new requirements from the beginning of July, but do not hold your breath expecting that most will meet that deadline.

Why has it taken so long?

Many in the life industry have vigorously resisted disclosure proposals, saying that they would lead to "underprovision" - a drop in sales - lower charges, and asserting that customers did not want the information. They also said it would be unfair to make only independent financial advisers provide this information, and that it would be too difficult to do the calculations for a fair comparison with, for example, banks and building societies selling life products.

It was only when the Treasury started banging heads together last July, and insisting that all sales agents should disclose commission, surrender values and other information, that the proposals seemed inevitable and much of the serious task of making them work started.

So what are the life companies going to do about it now?

On past form, they will carry on moaning about how unnecessary it is even after the new regime has been introduced. They are also likely to re-design at least some of the policies they sell, to make them more attractive in the regime of *glasnost*.

For the most part, this will mean finding ways of spreading the commission more evenly over the life of the policy, so the customer's initial payments are not so taken up just with paying for the advice. It has the added advantage of giving the sales agent more of an interest in selling policies that are less likely to lapse early.

Will I get a better deal?

Perhaps. Products will not become any less risky just because the way of paying for those who sell them has changed. But you should be able to get a clearer idea of the extent of the risk you are running - and see how much you lose if you give up early on a long-term policy, or give up in the penultimate year, just before a bonus is paid.

According to research commissioned by SIB, the new regime's impact will make competition fiercer. This should mean that commissions will come down - although they could fall a long way and still be higher than when there was an industry-wide agreement about the maximum commission that could be paid.

It should also mean that some of the less efficient companies find it too difficult to survive in this new environment and close, leaving the market to the organisations that are better-run.

If it is going to have such a good effect, why haven't the life companies adopted this approach before?

Why not ask them?

How to take care of yourself

If you become old and frail, whom do you expect to look after you? And whom do you expect to pay for the care?

Recent research by PPP Life-time, a provider of insurance to pay for long-term care for the elderly, shows that there is a wide gap between people's expectations of care in their old age, and what is likely to happen.

PPP's survey found that only 18 per cent expected to pay for their own care, whereas in fact more than 80 per cent of elderly people in residential care contribute to its cost. There was a widespread feeling that as people had paid taxes all their lives, the state would provide. The reality is that state help is means tested, and anyone with savings and assets above £20,000 will not receive much state support.

In developed societies, people are surviving longer, but are often incapacitated in their final months or years. Relatives are less likely to be willing - or able - to look after them, as more women are working, more marriages end in divorce, and families are scattered over wider areas.

The number of elderly people will rise sharply over the next few decades: in 30 years' time, there will be 50 per cent more people over the age of 85, and

fewer people of working age to care and pay for them.

The UK's response to impending need lags behind that of some countries. In Germany, for example, the government recently introduced a 1 per cent extra tax to pay for long-term care.

A paper in the Consumer Policy Review this month says: "The general picture is one of the state reducing its commitment to open-ended financing of long-term care. As people become more aware of this, they may become more receptive to the idea of pre-funding their own care."

The paper says possible ways of funding care include pensions - but the government has banned the only pension scheme which made direct provision for care needs; general savings - an inefficient method; raising funds from housing assets - this has possibilities, but not all elderly people are home owners; or insurance products.

Long-term care insurance has been available in the UK for only the past three years or so; the number of policies sold represents a tiny proportion of the potential market.

But it is already proving its worth: last month PPP started paying its first claimant, a man in his mid-60s who took out a policy a few months ago. He

has since suffered a stroke, leaving him unable to carry out a number of the "activities of daily living", such as bathing and eating unaided, on which claims are assessed.

PPP says its main buyers are 65- to 75-year-olds, but there are signs of interest from the sandwich generation - middle-aged people caring for parents and children.

Commercial Union, another of the main care insurance providers, says two-thirds of its policyholders are women, and two-thirds are over 60, many single or widowed. According to CU, the peak buying times are between 60 and 65 - ie around retirement time, when many people will have lump sums to pay for single premiums - and for women, in their 70s, often, when they are recently widowed.

But it is not just single people who should consider making provision for their care needs. Married couples cannot afford to assume that they will be able to look after each other - a frail 80-year-old is unlikely to be able to lift a marginally frailer spouse of the same age into their bed or bath.

Usually it is not necessary to cover the entire amount of

£20,000 a year or so needed to pay for full-time nursing home care - just the shortfall between available income and



the cost of a nursing home.

Comprehensive policies pay

a reduced amount if you

become mildly incapacitated

at age 65, or £10.90 at age 66.

A man would pay £27.70,

£23.30, or £76. A glance around

the female-dominated sitting

room of any nursing home is

enough to explain women's

higher premiums.

Excluding mild disability, or

not allowing for inflation, will

reduce premiums. You can also

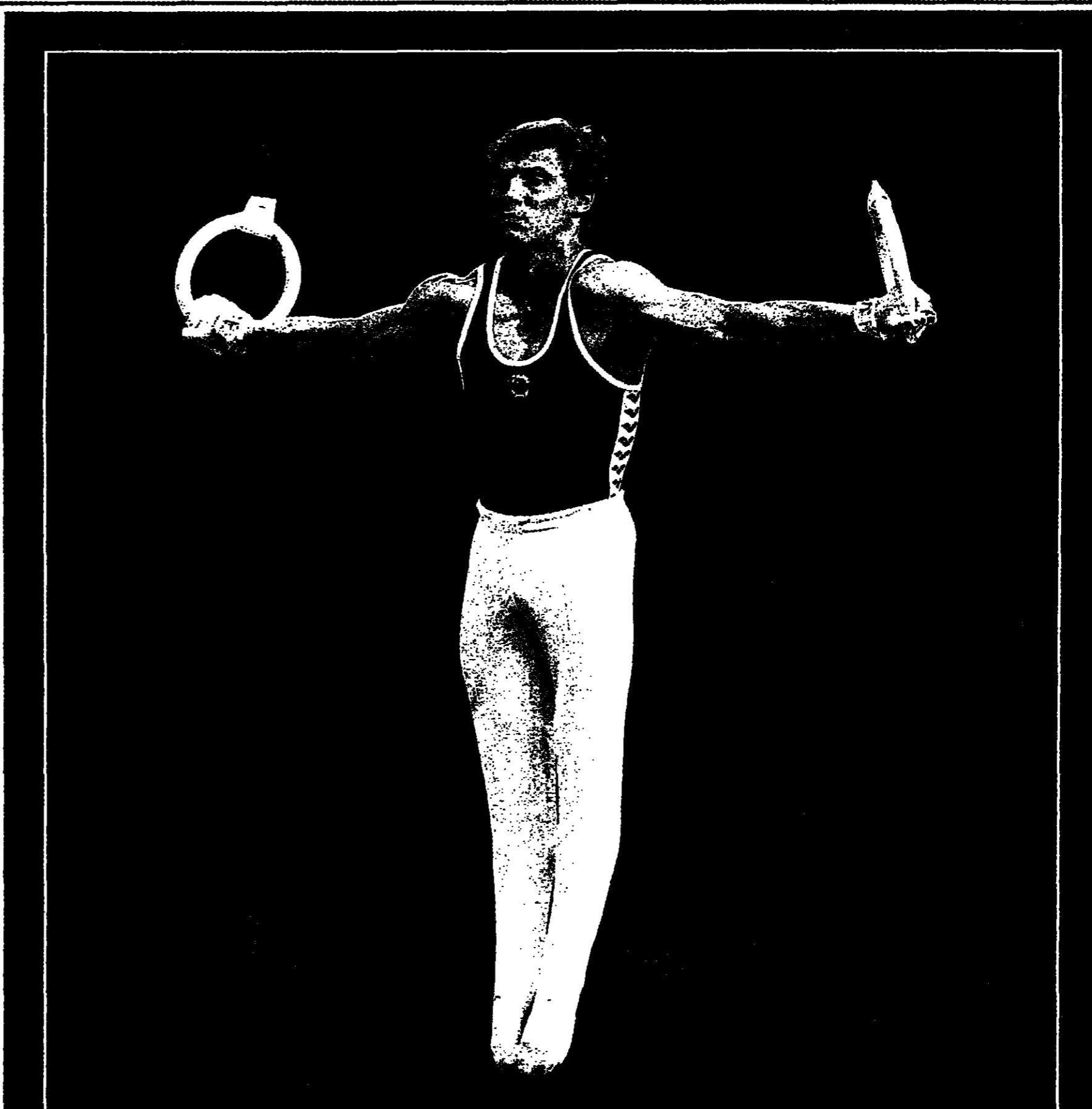
pay a single premium: a 65-

year-old man would pay

£11,006.54 for the cover above, while a woman of the same age would pay £20,885.58.

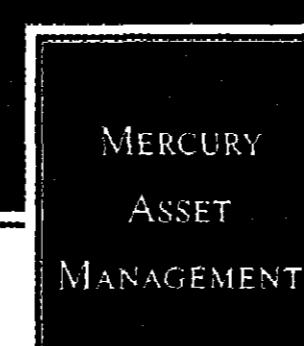
The earlier you take out a policy, the cheaper it is, as premiums do not rise with age for existing policyholders. Obviously, you may pay more if your medical history presents a higher risk. However, once you have a policy, new medical problems will not affect it.

Bethan Hutton



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FINANCE AND THE FAMILY

It is not easy for an independent financial adviser to move from commission to fees. Pat Brogan knows that only too well. In 1981, Brogan - who founded Pat Brogan Life & Pensions in Perth, Scotland, 15 years ago - gave him self three years to accomplish the task. He has discovered he was over-optimistic.

"We have been working actively on moving the clients totally on to fees and I thought we could do it within three years. But I have raised that to six years now," says Brogan.

"I found that people looked at me as if I had two heads when I said we were going to put together a totally fee-based client base. But I hope the day will come when we get away from commission altogether. Then we will be a profession."

"Once you are charging a fee, you don't have to worry where you are putting clients' money. You have complete freedom of investment choice, and you can really try to build up clients' wealth. And I want to know what my income will be. Every profession expects that."

Brogan finds that younger clients are the most resistant to fees. He believes this is largely because they have little experience of other fee-based professionals such as accountants and solicitors. So, to encourage them, he has introduced a £15 to £20 a month retainer service as a sort of starter pack. "It is too cheap," he agrees, "but young clients are not difficult to look after and they are our future."

Rather surprisingly, Brogan has also met some resistance to fees among his corporate clients. The firm provides financial advice for several small companies with annual turnover ranging from £50,000 to £15m. Some continue to believe they will save money if they stick to commission-based advice.

Brogan says: "I tell them that if they retain me for £7,500 they will be far better off, but they say they don't want to pay that way. Some managing directors are very good at making money but they are not very sophisticated in financial matters."

Many of Brogan's clients come through his corporate connections; others have been recommended by existing clients - he does not advertise. He also has a client base in the Shetlands and he spends five days a month there. "In the past 18 months, many clients

Name of financial adviser	Pat Brogan Life & Pensions
Address of head office	8 Tay Street, Perth, PH1 5LA
Date firm was established	1979
Headquarters	Perth
Funds under management	£7.2m (investments)
Number of clients	600
Number of offices	One
Managing investment manager	Pat Brogan
Services offered	Investment and pension planning; life assurance; health insurance
Phone	081 862 0000, 081 862 0001, 081 862 0002, 081 862 0003, 081 862 0004, 081 862 0005, 081 862 0006, 081 862 0007, 081 862 0008, 081 862 0009, 081 862 0010, 081 862 0011, 081 862 0012, 081 862 0013, 081 862 0014, 081 862 0015, 081 862 0016, 081 862 0017, 081 862 0018, 081 862 0019, 081 862 0020, 081 862 0021, 081 862 0022, 081 862 0023, 081 862 0024, 081 862 0025, 081 862 0026, 081 862 0027, 081 862 0028, 081 862 0029, 081 862 0030, 081 862 0031, 081 862 0032, 081 862 0033, 081 862 0034, 081 862 0035, 081 862 0036, 081 862 0037, 081 862 0038, 081 862 0039, 081 862 0040, 081 862 0041, 081 862 0042, 081 862 0043, 081 862 0044, 081 862 0045, 081 862 0046, 081 862 0047, 081 862 0048, 081 862 0049, 081 862 0050, 081 862 0051, 081 862 0052, 081 862 0053, 081 862 0054, 081 862 0055, 081 862 0056, 081 862 0057, 081 862 0058, 081 862 0059, 081 862 0060, 081 862 0061, 081 862 0062, 081 862 0063, 081 862 0064, 081 862 0065, 081 862 0066, 081 862 0067, 081 862 0068, 081 862 0069, 081 862 0070, 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FINANCE AND THE FAMILY

Revenue's own goal

David Cohen explains how taxpayers can profit

Crossing swords with the Inland Revenue can often feel like playing for your local park team against Manchester United. But an admission last week from its chairman, Sir Anthony Battishill, confirms that even the taxmen can score an own goal. Alert taxpayers may be able to take advantage.

The chance to save money arises if your inspector of taxes fails to make "proper and timely use" of financial information you have given him. If his lethargy lingers for more than a tax year, and lulls you into believing you owe no tax, when he finally does wake up you might be able to boot his tax demand into touch when, finally, it shows up.

The proportion of the bill to be written off depends on the taxpayer's income bracket: people earning no more than £15,500 a year per annum pay nothing while anyone on more than £40,000 will get no relief at all (for in-between incomes, see table).

Sir Anthony's statement promised a let-off for people who had failed in good faith to declare they were getting state pensions and now face unexpected demands for arrears.

The Revenue was told about these pensions by the Department of Social Security. On Tuesday this week, a press release announced that, from

Tax rebates		
What you get	Gross income (£)	Tax arrears written off (%)
	15,501 - 18,000	75
	18,001 - 22,000	50
	22,001 - 26,000	25
	26,001 - 40,000	10

Source: Inland Revenue

now on, relief will extend to cases in which information is made available by the DSS rather than by the taxpayer or his employer.

Whether or not a pensioner, a taxpayer will qualify for a rebate only if he genuinely believes his position is up-to-date. But because the whole idea of waiving tax arrears has no statutory basis and is merely a "concession" it must be persuaded of the individual's bona fides.

So, there is little point in arguing if the decision goes against you - the opposition is also the referee.

A taxpayer will be playing on firmer ground if, instead of paying too little tax, he has paid too much. When the Revenue gets round to returning the excess amount, it might be obliged to add a "repayment supplement."

Generally, the right to a supplement will not start until 12 months after the end of the fiscal year in which the liability arose. It will then be

payable for the period from the starting date until the fifth day of the month following the month in which the surplus tax is repaid.

Suppose, for example, that an overpayment of tax for the year to April 1992 was repaid in February 1994. The supplement period would have run from April 1993 to March 5 1994.

With effect from 6 April 1996, however, the timing rules will change in taxpayers' favour. As part of a drive general to simplify simplification of personal taxation, the repayment period will run from the date on which the tax becomes payable (or, if later, the date it is actually paid) until the repayment date.

The supplement is calculated on the basis of a rate of interest fixed by the Revenue and adjusted from time to time to keep it broadly in line with market rates. The present current rate is 5.5 per cent, and it is tax-free. Until last April, no supplement was payable unless at least £25 of tax was repaid, but this threshold has now been abolished.

These rules apply both to income tax - whether paid by an individual personally or by an employer through the Paye system on behalf of an employee - and to capital gains tax.

Although CGT does not become payable until the December following the tax



year in which the gains are realised, the supplement period is linked to the year for which the tax is charged, rather than the year in which it is payable. Hence, CGT for 1992/93, overpaid in December 1993, will attract a supplement if not repaid by April 5 1994.

If you are fortunate enough - or perhaps stupid enough - to get a repayment supplement, you should check carefully that it is the correct amount.

Anyone who has been short-changed will know what to do but, equally, a taxpayer who realises the repayment is excessive but keeps quiet could be committing a crime.

■ David Cohen is a partner in the City legal firm of Painsier & Co.

3. With profit-sharing schemes, shares granted are not the employee's saleable property until the expiry of five years from the grant, when the share certificate is provided. Is indexation applied from the date of the grant rather than the date of issue of the share certificate?

■ 1. The cost of the option (a nominal sum, generally) is indexed from the grant of the option. The exercise price is indexed from the day of exercise.

2. Yes. The rules are the same as for Say options.

3. Indexation runs from the day of the grant.

Warrants and CGT

I understand that warrants, if exercised, are not subject to CGT even if they are bought for cash on the market. But what if warrants are bought and sold on the market? Do I have to pay tax on any gain?

■ Listed warrants sold on the market are treated just like listed shares, for CGT purposes. A cash profit is eligible for indexation relief; a cash loss is allowable without being increased by indexation unless the transitional £10,000 relief applies.

Exercising a warrant does not produce any immediate CGT consequences, as you say. When the shares are sold, they are deemed to have cost you the total of (a) the cost of the warrant and (b) the amount paid on exercise; the cost of the warrant (a) is indexed from the month of purchase to the month of exercise, and then the total of that indexed figure and the amount paid on exercise (b) is indexed from the month of exercise to the month of sale.

■ If you buy warrants which eventually expire worthless, the cost is allowable as a loss which is deemed to arise on the day of expiry.

A claim from abroad?

My bachelor son works in Luxembourg. His salary is paid in local currency and is taxed locally. He also has investments in the UK. These include building society interest, which is paid gross (he has signed form R85), and shares from which dividends are received net. These amount to about £1,500 gross a year and tax of £300 is deducted.

Since he does not complete UK income tax returns, he is not claiming back the £300. But is he entitled to the single person's allowance (in which case it would be worth his while to claim back the tax)?

■ Although your son probably is entitled to UK building society interest without deduction of tax (because he is not ordinarily resident in the UK), he was not entitled to sign form R85 (which applies only to people resident in the UK).

If he signed by mistake, he should write at once and explain his error to the building society. All Commonwealth citizens are entitled to a personal allowance, regardless of whether they are UK residents. Your son should write for a claim form to: Inland Revenue Claims Branch (International), St John's House, Merton Road, Bootle, Merseyside, L29 9BB, saying how far back he wants to claim.

Tax relief for couples

Q&A

BRIEFCASE

Any legal responsibility can be accepted by the Financial Times for the answers given to your questions. All questions will be answered by post as soon as possible.

Look forward to the 1994/95 tax year if they were not all needed to reduce the net gain for 1993/94 to the value of the annual allowance (£5,800). Is this correct?

What is the position now regarding claims for "negligible value" made in the tax returns for 1993/94? The original Budget proposals, I understand, provided that no indexation losses would be allowed on any such claims made after November 30 1993, irrespective of the actual date when the assets in question were deemed valueless.

Indexation losses, of course,

will now be allowed; but is it correct that such indexation losses must be considered to have been incurred after November 30 and, thus, that they must in all circumstances come out of the £10,000 limit?

■ The answer to the first question is yes. The answer to the second also is yes, as a result of the schedule added to the Finance Bill on the day you wrote to us.

Employee share scheme

I am confused over aspects of the employee share option scheme. 1. With save-as-you-earn contracts, is indexation applied from the date of exercise of the option or the original date of grant? The price used would be that at the date of grant.

2. With executive share options, a nominal sum is paid on the grant of the option but the exercise may be three to seven years after grant. Is indexation applied from the date of exercise?

■ 1. The cost of the option (a nominal sum, generally) is indexed from the grant of the option. The exercise price is indexed from the day of exercise.

2. Yes. The rules are the same as for Say options.

3. Indexation runs from the day of the grant.

Warrants and CGT

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■ If you buy warrants which eventually expire worthless, the cost is allowable as a loss which is deemed to arise on the day of expiry.

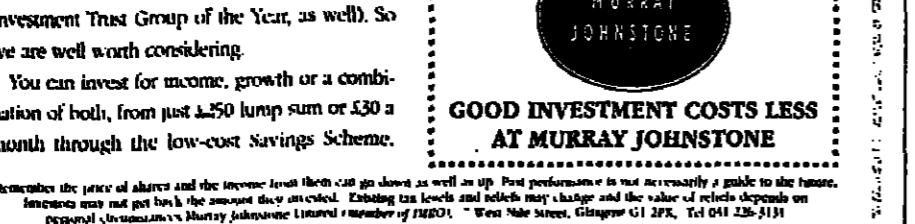
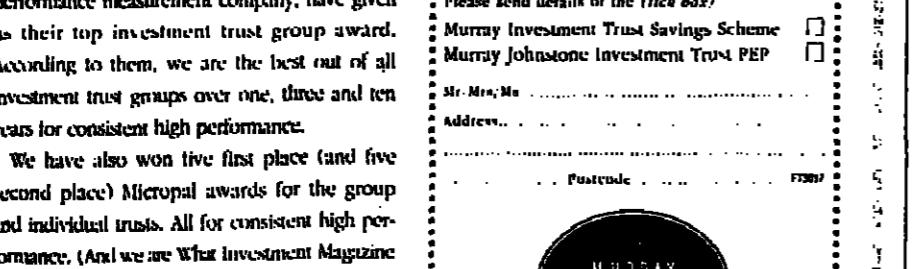
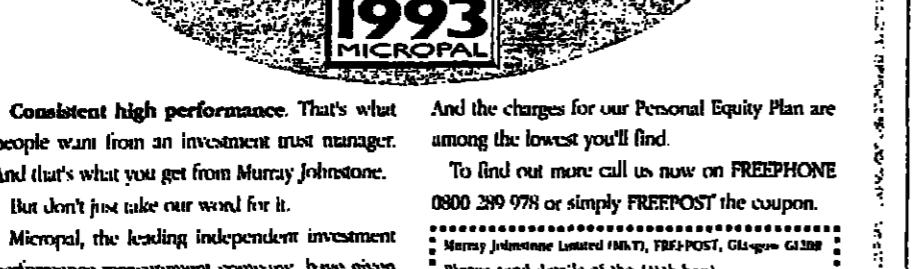
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PERSPECTIVES

Minding Your Own Business

Herbal recipe for a healthy company

Clive Fewins on imports from China

Robert Miller had been suffering from bronchitis for two months when he gave up conventional medicine in favour of seeking a remedy in Boston's Chinatown. He found a Chinese doctor who seemed to have the powers of a fortune teller. "He told me amazingly accurate things about my medical history, gave me a revolting tasting herbal potion, and two days later my condition started clearing up. After a week I was feeling 100 per cent," said the healthy six-footer from Ohio.

For Miller, it was the road to Damascas. With relief he sold the exhibition organising business he had run since 1977 and which he blamed for the stress at the root of his bronchitis. A few months after, in early 1980, he started a herbal importing business.

In 1986 he moved to England, where he had spent time as a child, and started East-West Herbs in a 400 sq ft converted stable block near the Oxfordshire home of a friend.

Within a few months he had sold the US business and formed a partnership with his friend, Michael McIntyre, a herbal practitioner whom he bought out in 1990. Miller now holds the major interest but six of the 20 full and part-time employees have a minor holding.

The growth of East-West Herbs was at first unspectacular. Initial capital was £20,000, shared between the partners. In the first year the company turned over a mere £22,000. During the second year it acquired third member of staff and turned over £40,000.

The 1983 figures showed a net profit of just under £20,000, and the business turned over £900,000.

The warehouse and laboratory now occupy 6,000 sq ft of former farm buildings.

"Our progress has mirrored the increasing use of Traditional Chinese Medicine (TCM) in this country," said

Miller, 42. "But we have had to work hard for our money and there have been reversals."

The worst of these was the October 1992 exchange rate crisis, when Britain left the ERM. "I was slow to realise the effects of this. In February 1993 I had to send out a letter to all customers adding a surcharge of 10 per cent to wholesale prices and a surcharge on all prescriptions being mailed to practitioners," said Miller.

East-West Herbs weathered the storm. "Life was hard last year. We had to ask our suppliers for extended credit and our bankers, Coutts, were very helpful with our overdraft facility, which I do not generally like to exceed £50,000," Miller said.

The company nevertheless achieved nearly 30 per cent growth and expanded the work of its research and authentication laboratory. In this department the key figures are two Chinese TCM specialists. The core business remains supplying more than 1,000 herbs, herbal preparations and herbal products to about 1,000 customers in a dozen countries. In this, Dr Shouming Zhong and Miss Hongwen Yu play a key role.

"In 1986, when we started, the oriental herb supply business was in the cottage industry category," Miller said. "A lot of Hong Kong fraudsters were able to pass off inferior preparations to unsuspecting non-Chinese speakers. My aim has been to raise the whole standard of what this business is all about in this country."

Dr Zhong, a phyto-chemist, formerly a professor at the Chinese Pharmaceutical University in Nanjing, and Yu, who previously worked at the London School of Pharmacy, concentrate on authentication.

"Many Chinese herbs traditionally undergo a long process of baking, steaming, frying and mixing before they are ready for use," Miller said. "In Hong Kong, unlike mainland China, there are no rules or regulations governing the preparation of pharmaceutical products. Processing



Chinese prescription for success: Robert Miller (left) with Hongwen Yu and Dr Shouming Zhong

Courtesy Authorised

methods there often contravene the guidelines of the Chinese Pharmacopoeia. At East-West Herbs we have installed a stringent quality control programme and now import our herbs directly from mainland China."

At the company headquarters in the village of Kingham near Chipping Norton the smell of herbs and herbal preparations emanates from the dispensing area, where staff prepare prescriptions for TCM products and 150 western herbal tinctures.

As well as being available by mail order, many of the company's products can be bought at the East-West

Herb Shop and clinic in London's Covent Garden, and the company recently signed a contract with a large pharmaceutical company to carry out research into a remedy for what Miller describes as "a common ailment in this country".

"Overall, our net profit is under 10 per cent, but this is not my prime measure of success," Miller said. "My main aim has always been to exploit the growth potential of TCM in this country. In the US there is a \$400m market, but the Germans are the biggest per capita users of TCM outside China. The market there is estimated

at \$1.5bn."

TCM provides primary health care for a quarter to a half of the world's population. It is now possible to study TCM in this country, and more and more British people are going to China to learn about it. It is also being practised in half a dozen NHS clinics, so there is tremendous growth potential. For East-West Herbs the really profitable phase is yet to come."

■ *East-West Herbs, Langstone Priory Mews, Kingham, Oxfordshire OX7 6UP. Telephone: 0895 628862.*

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It is to be pointed out that the assets of Athens Pipeworks S.A. (land, buildings, mechanical equipment, vehicles, etc.) in their entirety, were assigned to Hephaestus S.A. by virtue of a previous auction and that this invitation concerns only the Company's claims as currently shown in the Company's books.

Interested parties should submit their non binding expression of interest within 20 days to the Company's head office at 260 Pireos Street, Athens to the attention of the Liquidator's representative, Mr Nicholas Tsiokas, Tel. +30-1-4820 828 and +30-1-4811 375.

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Fishing/Tom Fort

The challenge of a new river

A new age has dawned in my angling career. I do not expect it to be golden - a tarnished, mottled silver will do. The first outings, I am relieved to report, have been reasonably propitious. But I remain a trifle fearful, for a change of river at my time of life is a momentous thing.

I have swapped Berkshire for Hampshire and forsaken the broad waters of the middle Kennet for the impudent Itchen. To give it an educational parallel, it is as if I had left the familiar surroundings of school, and was peering in to some college of higher learning. There is a fear of being found deficient; and with it a sense of challenge.

This is not to denigrate the Kennet, where I have had several happy years - and even the occasional triumph over a trout. But the Itchen is a different kettle of fish. My new refuge is the Abbots Barton water on the outskirts of Winchester - hallowed in fly fishing's traditions because it was here that the immortal Skues studied trout, and refined to the point of revolution the way we fish for them.

The idea that I or anyone else could follow in his footsteps is laughable.

TCM provides primary health care for a quarter to a half of the world's population. It is now possible to study TCM in this country, and more and more British people are going to China to learn about it. It is also being practised in half a dozen NHS clinics, so there is tremendous growth potential. For East-West Herbs the really profitable phase is yet to come."

So it was for the first half of this April. I cowered indoors until the forecaster assured me that a gentle breeze was blowing from the south-west.

The countryside was caught between seasons; the river

appeared chill and lifeless. I wandered hither and thither for a couple of hours before lunch, searching vainly for any sign of meaningful activity on the main river, or on the network of feeder streams which cut through the meadows. As I ate my bread and cheese, I pondered sceptically - and a little resentfully - on the reports I had read about the infallible appearance on April days of an insect called the Large Dark Olive, and the guarantee this offered of sport with trout.

I was resigned to failure when, suddenly and miraculously, they did begin to hatch. Down they floated, dark

The idea that I could follow in Skues' footsteps is laughable

smudges against the sheen of the surface. And up came the trout to snatch them.

I had two hours of utterly absorbing fishing. Being stocked fish, they were none too faddy, and took a hobbled Greenvell readily enough. By mid-afternoon I had caught and returned three or four which did not quite make the 14in size limit, and kept one handsome two-pounder.

By the fishing hut I met the keeper, a big, affable pipe-smoker named Mike. We exchanged pleasantries, and I moved upstream for a final flurry.

The keeper took the pipe out of his mouth as I approached. That was very efficiently done, he commented approvingly. Help, I thought. He thinks I'm a proper fisherman. Wait until next time.

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PERSPECTIVES

Lunch with the FT

Burnish your image, sir?

Michael Thompson-Noel meets David Abbott, advertising executive



If you knew even a little about advertising, you would mark David Abbott down at once as a highly-paid "creative" - possibly a copy-writer - rather than an account-managing "suit". But he does wear suits - expensive ones, sometimes striped ones - so you would conclude, again accurately, that he was probably an agency head.

If you knew nothing about advertising, you would at least be certain that Abbott was rich and successful and a deal-maker, say, in movies or fragrances, or from the sharp end of fashion, supposing there is one.

Abbott is one of the best-regarded and most influential creatives in British advertising. He is chairman and creative director of Abbott Mead Vickers (AMV), which in 1994 hopes to handle billings - media expenditure placed on clients' behalf - of £200m, enough to position it among the three or four highest-billing London agencies. A recent coup was the capture, three months ago, of an annual £50m worth of BT (British Telecommunications) business, described by the agency as the "largest single new-business win in the history of British advertising".

I met David Abbott at Bibendum, an elegant restaurant on the first floor of Michelin House in London's Fulham Road (Sir Terence Conran is a co-proprietor) - and remembered that an *FT* columnist, not long ago, had called BT "Britain's most hated company".

I mentioned this to the ace image-maker as we handled our menus. Abbott is tall, rangy and Hollywood handsome with Persil-white hair, and is preternaturally charming: the brand of deep charm that reassures powerful clients - Saatchi & Saatchi, Volvo, Leeds Permanent Building Society, Pepsi-Cola, The Economist, etc - and costs a million per hour.

Switched on for cyberchat

Christina Lamb has a host of new contacts since her Internet article

A month ago I wrote about my adventures in cyberspace through Internet, the worldwide web of computer networks. Just to see what would happen we printed my e-mail message address quite discreetly at the end for readers to send comments.

The next morning I switched on my computer to find more than 100 messages - comments on the article from places as diverse as Poland, Zambia and Los Angeles.

The following morning I signed on with anticipation to find another 80 messages, many with suggestions for further articles or even series on the same theme. Some people had already replied to had written back again.

By the end of the week I had heard from more than 300 readers and one month on I am still receiving e-mail messages about the piece. This is far more than our letters editor receives for even the most controversial articles and many of these are never seen by the reporters.

And while people are usually spurred by irritation to write letters to a newspaper, my e-mailers were friendly, positive and did not include a single Mr Angry. The ease and informality of being able to sit down at the keyboard and knock off a message directly to the writer seems to stimulate good humour.

Many, I think, were inspired to correspond by the article's headline, "Yes it's true. I was a cybergirl", dreamt up by an imaginative sub-editor. Messages often began "Dear cybergirl". Some even wanted to share their own cyber-deflating. Robert Dilworth, in Frankfurt, wrote: "My first time was six weeks ago and I'm 35 years old..." I kept expecting a threatening message from the Internet postmaster, accusing me of being a sex service.

I began to look forward every morning to a new surge of mail and even cancelling real-life dates in order to have time for new cybercontacts.

I have even cancelled real-life dates in order to have time for new cybercontacts

from enthusiasts frustrated by the media's tendency to focus on negative aspects of Internet.

Many described signing on initially just for messaging, only to find a new world awaiting them. James Quirk, from Wolverhampton, who subscribed to correspond with his daughter at Bradford university, says: "Yes it is addictive but I've never had so many friends."

Some wanted to complain about cyberjunk; others had been inspired by the article to access the mass of information available online. For some, messaging was their first attempt at e-mail overseas or outside their company.

There emerged a generalised frustration over the cost of access in Europe, although I received many suggestions for the cheapest methods.

The experience showed that such interactivity will be the norm in the future. In the US, more than 100 newspapers are online and subscribers can message reporters directly for more information or to comment on articles. Some newspapers, such as the Raleigh Observer in North Carolina, have their computer systems connected to local schools enabling students to send in sports reports or make comments.

And from the journalist's perspective, for the first time in seven years I feel a real sense of who readers are and what they are interested in.

The only problem is that I am so busy reading and replying to e-mail that there is no time left to write articles...

the Mother's type."

He said thoughtfully, "that is right, except that BT suffer from being people who send you bills. I think they have made real efforts to improve their service and lower their tariffs, encouraged by the regulators. Our main job for them is self-encouragement - to extend the length of calls. On average, an American spends 20 minutes on the phone each day; in Britain it is four."

Only an idiot would imagine that anything could be gained by heckling an image-burnisher like Abbott with back-handed remarks about his clients, I switched to food.

"Do you like food? Is this your favourite restaurant? Do you like Michelangelo's?"

"I like food," he said. "But this - Bibendum - is about as posh as I get. This is such a pretty room, and there are been given almost the best table. I am not sure why. I don't like cathedrals of food. I quite like bad restaurants. Let me rephrase that: unpretentious restaurants. If I've got a free day I like to take a book and eat on my own. If you asked me to name my three favourite restaurants - breakfast, lunch, dinner - I would answer with three in Venice: the Cipriani for breakfast, that nice one by the opera house for lunch, and Harry's Dolci for dinner."

Abbott still copy-writes. He has won many awards for it. He is particularly well-known for 20 years' work on the Volvo account, though

he said, "for some form of mass selling. As long as we value mass employment, we have to have mass production. Advertising is just an intrinsic part of western capitalist society."

"Is it my imagination," I asked, "or has UK TV advertising become more and more Americanised?"

"I'm not sure how real that is," said the image-builder. "There are two things. One, there is the influx of the multi-nationals, and a desire to use effective work from one market in another. One of my clients is Pepsi-Cola, and they run Pepsi commercials made in the States for the American market here in the UK - very effectively. And that will continue to grow. Second, I think there's a vogue for things American, so that what may look like an American commercial for Levi's is in fact created by an English agency."

"I think that's right, though. I think there will be not only more American commercials on our screens but more Italian and more French ones that are re-voiced. It's just the global economy. Certainly international business is on the increase. In 1990, 1.5 per cent of our billing was international; in 1994 it will be something like 34 per cent. For the last couple of years, nearly 60 per cent of our new-business inquiries have been from people interested in our international capabilities."

"I have read," I said, "that television is expected to last 10,000 years. Will advertising always exist?"

"There'll always be a need," he said.

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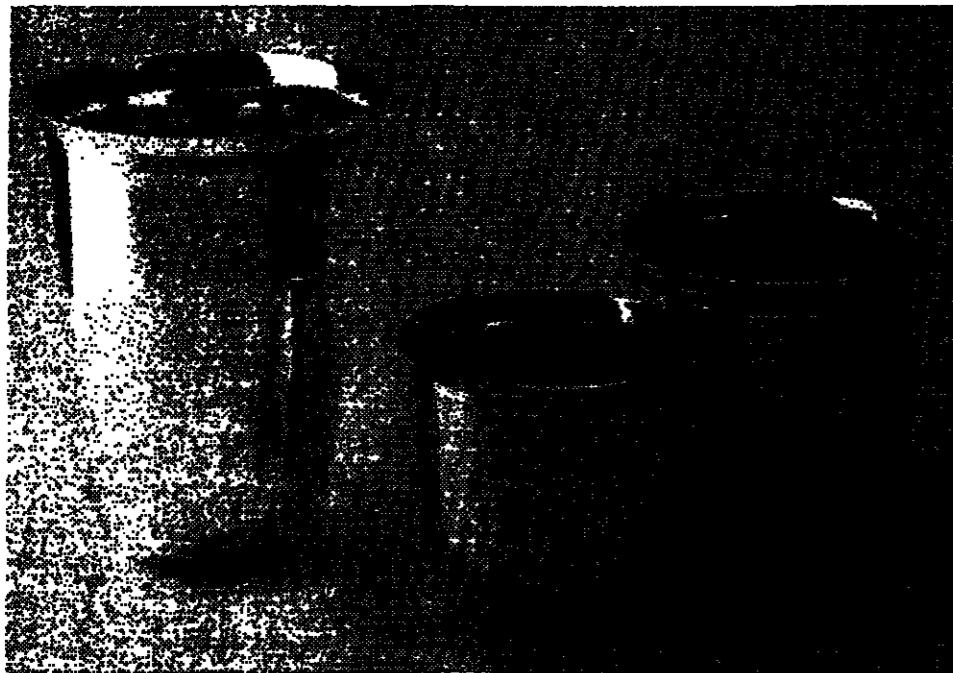
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"I think you're right, though.

VOL

HOW TO SPEND IT



A series of three simple silver beakers, ranging in price from £284 to £468

Silver master goes public

Gerald Benney is opening a shop to sell his exquisite wares, writes Lucia van der Post

Gerald Benney is one of the grand old men (if he will forgive the "old") of British silversmithing. With Robert Welch and David Mellor, he was part of a particularly talented triumvirate that trained at the Royal College of Art in the 1950s and that breathed life and interest into modern silverware when British design was struggling to find an identity.

Benney has always been known as an innovative silversmith. Peta Levi, the design consultant, points to his "technique of texturing silver as well as his painstaking development of a method of producing translucent enamels". She feels sure that Benney's work, "rooted in 1950s style will stand the test of time for its simplicity and sheer elegance". Fiona McCarthy in her book on British Design since 1890

places him in the tradition of idiosyncratic British designers with a "lavishness that often verges on the joke".

Some of his early work, as befits a young designer, did indeed display an exuberant delight in new techniques that was not always happily integrated into the total design. But his later work is often of great refinement and almost exquisite simplicity.

Almost all his work has been done to special commission so that these days his grand ceremonial pieces, his silver goblets and cutlery, his vases and candlesticks, reside in grand City offices, in privileged private homes and in museums.

The Goldsmiths Company has a large collection of his work as does the Victoria & Albert Museum.

Though many of his smaller pieces are eminently suited to a domestic setting (look at the

simplicity of the silver goblets, the desirability of the exquisitely plain salt and pepper pots) too few people seem to think of commissioning a work from as skilled and talented an artist as this. Possibly they are daunted by the unfamiliarity of the process, by the challenge of putting together a coherent brief and by fear of the cost.

For all these reasons Benney has decided to open a shop where ranges of more accessible pieces, which people can look at, pick up, touch and feel, will be available.

This venture will be largely overseen by his younger son Simon, who has in turn become a silversmith (having won first prize at the Gemological Institute of America in Santa Monica for his pieces) with a special interest in jewellery.

So there in the shop, from May 9 onwards, will be a collection of sycamore and silver

pieces (trays, coasters, wine-coolers), some classically simple polished silver pieces (tea sets, coffee sets, trays and goblets) and a collection of cuff-links, thimbles, ear-rings and other jewellery.

A silver thimble will be £52, textured sterling silver cuff-links £100, gold ear-rings £168. Prices for the silver and sycamore range will start at £460 for a wine coaster and go up to £270 for a champagne bucket.

The collection of simple domestic pieces is particularly desirable. Many of these pieces would make splendid wedding, christening or anniversary presents. All are made in the Benney workshops, none are mass-produced.

Anybody wanting a special piece, however, will still be able to order one. Above the shop in Walton Street will be a special commissions room where projects can be dis-

cussed. And above that will be a working design studio where many of the pieces will be designed.

Benney opens on May 9 at 73 Walton Street, Knightsbridge, London SW3. Anybody unfamiliar with the Benney range is welcome to drop in.

It is easier on the eye (which it most certainly is) and wanting some idea of its scope can telephone 071-589-7002 and ask for the well-illustrated booklets on the silver and/or the jewellery collections.

A-Z that is handy in the house

If you have a perfectly up-to-date Filofax and never lose any of those useful addresses that people thrust into your hand at parties, then no doubt you can survive without The World of Interiors Decorating Directories.

For the rest of us I foresee that these directories will be a useful prop through those times that register highly on the stress meter - moving house, having the builders in, deciding what colour to paint the kitchen. Inside

information always appeals and these directories list the names, addresses and telephone numbers of The World of Interiors' favourite companies: the suppliers of recherche ceramics, old-fashioned herbs, antiqued garden pots, painted tile ware, wrought-iron curtain rails and everything else the efficient householder might one day

conveniently need to know.

The directories are free - the first part (A to F for fabrics) came out with the April issue. To get a back copy you should get in touch with The World of Interiors itself (tel: 071-351-5177). For the second part (F, for Finishing Touches to Z) all you need to do is buy the May issue (£2.80, out last Thursday) for your free copy will come with it.

□ □ □

Fired Earth, largely known for its ceramic and terracotta

flooring, is offering a collection of alternative floor coverings.

Homing in strongly on the fashion for earthy natural looks, for a touch of ethnic and eco-chic, it calls its range Grass Roots and declares it to be easy on the eye (which it most certainly is) and wanting some idea of its scope can telephone 071-589-7002 and ask for the well-illustrated booklets on the silver and/or the jewellery collections.

may sound awfully new and politically correct but which really means it is offering our old friends sisal, hemp, jute and coir. They have, to my mind, always been attractive and always will be, but it is reassuring to learn that coir replaces itself in a mere 90 days.

All these natural fibres are hard-wearing, all are attractive to look at, the irregularity of the colouring and the roughness of the weave only adding to their charm.

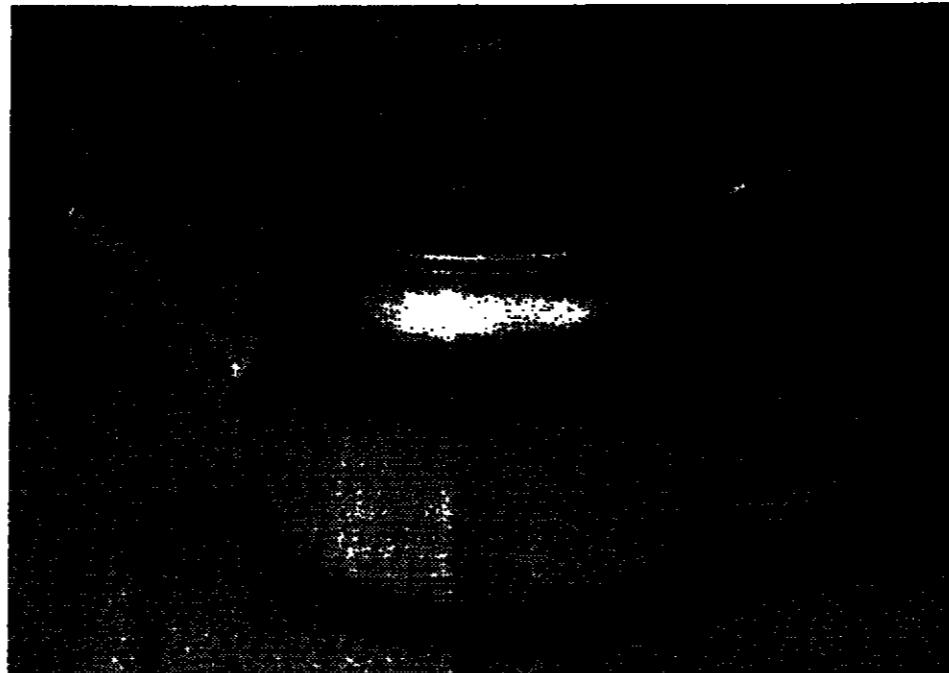
Some of these floorings come from British sources - such as the handwoven rush matting from Rousham - others, such as the jute, from far-flung estates. They come in different weaves, colours and textures but all can be fitted, or there are rugs which can be loose laid or come edged and braided. An underlay is recommended both for comfort and to add to its life.

An installation service is offered and there is a splendid brochure (tel: 0285-812688 for a copy) with close-up pictures of the weaves and the colours. For those who wonder what the finished product will look like in situ, Fired Earth offers to send three samples, free of charge, so that colour and texture can be compared.

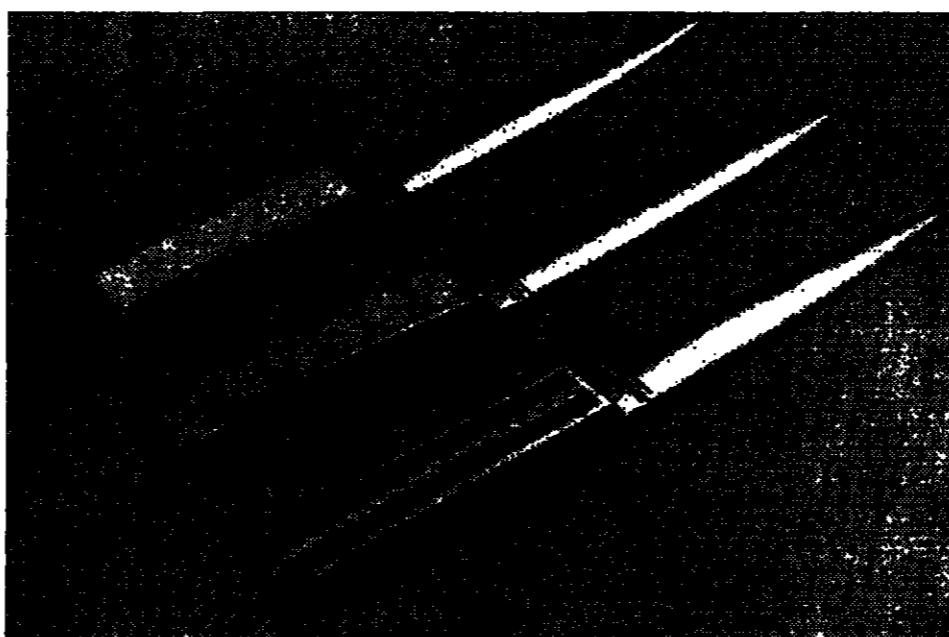
You can either collect the floor covering from Fired Earth's Oxfordshire warehouse or, for a small charge, it will be delivered to your door. Prices range from £8.15 to £25.26 per square yard.

Still in ethnic mood, the Natural Floorcoverings brochure always offers a selection of hand-woven tribal rugs and kelims, all of which (not as the brochure puts it, entirely coincidentally) team up extremely well with the other natural floor-coverings range and with the original terracotta and unglazed floor tiles.

LvdP



Jug in silver and black enamel with carved ivory handles, commissioned by the Victoria & Albert Museum



Silver paper knives with handles of green, blue and white enamel, £465 each

Bags of fashion

What does it take for a handbag to move from the mundane world of the merely useful to cult status? What is the mysterious ingredient that makes one bag internationally desired while its near relation, which seems identical, languishes on the arms of the unfashionable? We know that quality comes into it, but so, too, does clever design.

But above all, there is a mysterious ingredient that nobody can explain, that drives otherwise sane women to plunge into debt merely for a few scraps of fashionable leather.

Cult handbags can come at all prices - from the Kelly bag (£1,850 for small call and three months waiting - after that as prices rise so does the length of the waiting list) to the Hervé Chapelier at under £50. They can be French (Chanel, Hermès, Louis Vuitton); they can be true Brit (Bill Amberg, Anya Hindmarch); they can be Italian (Gucci, Prada, Bottega Veneta) or transatlantic (Judith Leiber).

Some cult handbags retain their status for many years - others move in and out of fashion as tastes change. Here, for the summer, are just a few of the most fashionable handbags around.



Hervé Chapelier is the big name among the young and hip. It has much of the cachet of Prada and costs a fraction of the price. As a young colleague put it: "After all, what is Prada at the end of the day but a bit of a nylon?" Hervé Chapelier, too, is just a bit of nylon but a very fashionable and a very practical bit of nylon. The bags first became a vogue in

Cult carriers have, for a long time, been slouched-up, smartened-up versions of the rucksack or carry-all. Almost every smart name from Gucci and Chanel to Mulberry, Etienne, Aigner and Maberry has done a version of the ruck-sack. Every model seems to have one (which is worn on just one shoulder, never two) and besides being modish they are very practical, solving the career girl's problem of how to carry her life around with her without ending up on the osteopath's couch. As the years go by, companies take up the original design, dust it down and freshen it up - this year has produced the hold-all in a slightly rougher, pale, back-to-nature, eco-conscious look. Made by Desmo of Florence in cream suede, it has masses of pockets and is £185 at Harrods.

work. Carried by people such as Kylie Minogue, Ronit Zilkha (the dress designer), Edina in *Absolutely Fabulous*, Zoe Wanamaker and Alain Prost - the bags are used by men and women alike. For those who like something smarter there are versions in suede and leather but the classic, signature design is the tote bag, in six different sizes and masses of different colour combinations, the price ranges from £21 for a small purse to £40 for the larger "cabas". Rucksacks (still very popular) are £255. For those who are addicted to relaxed briefcases (the sort that do not send out loud messages about the importance of the carrier) there is a handy nylon briefcase. The range is sold in Harrods of Knightsbridge, Heals of Tottenham Court Road, London W1, Moon in Glasgow, Troon in Cambridge, Sage in Old Amersham Bucks, and Graham & Green of 4-7 Elgin Crescent, London W1.

Do not worry if you do not yet own a Bottega Veneta handbag. Until recently it has been very difficult to do so in the UK. A small, family-owned company based in the Veneto, Bottega Veneta has some of the most delicious small handbags around. Fashionable women who travel have been seeking them out in Italy, France or America but it was not until last October that Harvey Nichols of Knightsbridge began to stock a few in their ground floor handbag department - so successful has it been that last week a big new concession entirely given over to Bottega Veneta was opened.

The handbags' chief hallmarks are exclusively fine leather, often woven (the pillow bag is its all-time best-seller and a small version costs £255, the large one £375), the almost obsessive lack of gilt, and delicious touches such as beautifully braided handles and tassels. The evening bags are especially desirable but for those who, like me, are congenitally unable to organise their life without something as large as a carrier bag to rummage in, there is the famous drawstring bucket at £255 which should do nicely. The black woven leather handbag photographed here is typical of the Bottega Veneta look - coming in later in the summer it will sell for about £500.

For summer there is a hemp (hemp, you will have gathered, is about as smart a colour as you can get this summer) version of the pillow bag that will sell for £150.

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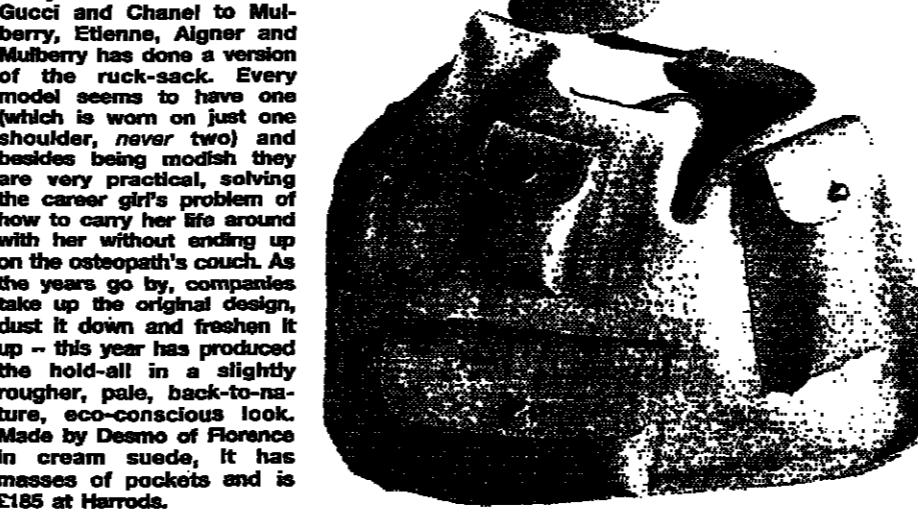
KALANSKI - winner of five races including a £10,000 novice chase. Purchase price £9,500.

THE REPROBATE - winner of a National Hunt flat race at Cheltenham, only start to date. Purchase price £22,000.

ARNDDILY - winner at Goodwood and placed twice from five starts. Purchase price £6,000.

For further details of an appointment without obligation, please contact:

Charles Egerton, Heads Farm Stables, Chaddesley, Newbury, Berkshire RG16 0EE
Tel: 0488 638771 Fax: 0488 638832

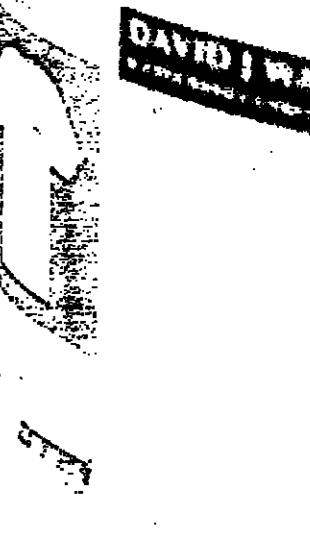


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G&H



SPORT / MOTORING

Cricket/Teresa McLean

County boundaries

There was a time when county meant as much as country to young cricketers. Even such a patrician figure as the fourth Lord Harris, born to lead Oxford University, Kent, England and MCC with equal ease, was always a formidable Kentishman.

Besides financing the county's cricket for half a century, he played his first game for them in 1875, when he was still at school, and his last against All India in 1911, when he was 60, the oldest man who has ever played first class cricket in England. He was captain of Kent from 1875-89 and chairman for 45 years, 1886-1931.

Those were the days of colossi in cricket. These are the days of committees and I do not know whether I was surprised to hear so many officials assure me that their counties thought of themselves not just as teams full of team spirit but also as counties full of county spirit.

Middlesex, which no longer exists as a county in public life and which had always seemed to me in cricket life as no more than Greater London north of the Thames, insisted that all their members had a strong sense of county identity. Even John Embrey, born in Peckham, south of the river, has long since naturalised as a cricketer north of it.

Middlesex's secretary, John Hardstaff, was sure that much of this feeling came from their rivalry with Surrey. The squad does have a

fair number of players who come from Middlesex, including captain Mike Gatting, vice-captain John Carr, Keith Brown, Phil Tufnell, Mark Pritchard and Mark Ramprakash. But outsiders too, such as West Indian bowler Neil Williams, often stay a long time. With a cricket market-place trading keenly in players, that is no mean achievement.

"We look after our players," Hardstaff explained comfortably. Of the county spokesman I talked to, he was the only one who spoke honestly about the problems of readjustment for county players returning from Test matches. Everyone else was too positive to be true, only mentioning the chance that Tests call for young and second XI players to play in top class games.

Hardstaff sighed with sympathy for Tufnell, Ramprakash and Angus Fraser, just back from Test service in the West Indies. "I don't know how they motivate themselves when they get back. I often wonder how they do it. I imagine playing in the heat and sun, photographed all the time, and then coming back to a damp day at Uxbridge..."

Fame, glamour, travel, media and money combine to emphasise personal rather than team achievement and attract players beyond the quiet limits of county cricket. Alan Ealham, Kent's director of youth coaching, lamented the way this had changed in the last 15 years or so. Lord Harris would have been proud of his devotion to his county.

"As a kid I had always wanted to play for Kent. I never thought of playing for England. Kent was the height of my ambition."

Ealham is a county with a rich sense of tradition and of a history studded with grand old men, from Harris to Colin Cowdrey. Ealham described Cowdrey as "a father figure in the golden days of the 1970s. We all played round him".

Ealham was made captain of Kent in 1978 and, though summarily, and some would say unfairly, removed from the job two years later, he has remained a stalwart of Kent cricket.

His son Mark is a county batsman and bowler. Ealham enjoys his coaching job. He is pleased that a lot of Kent's squad is home-grown, encouraging its programme of teaching and recruitment to "keep re-vamping and keep going".

Leicestershire, in a grim patch at present, want to do something similar and have followed Glamorgan's lead in reducing their membership fee, (down to £15 at Glamorgan, £20 at Leicester), thereby sharply increasing the number of members.

They are an odd lot in Leicestershire. Captain Nigel Hales is pretty well the only team member from Leicestershire. Last year's overseas player, Winston Benjamin, was thought to be playing only half-heartedly, like most of the team. He has been replaced by Phil Simmons.

Tony Norman was appointed chief executive. Norman is a businessman, not a cricketer, and believes that Leicestershire must build county spirit by cashing in on Leicester's recent rugby success.

Leicestershire staff I asked about this enjoyed being iconoclastic. "We haven't got any county spirit. We're a collection of individuals. Always have been."

"What about the idea of joining

not alone. How can a county make itself attractive in the long term? Everyone I spoke to was convinced that success breeds success. If you win, people support you, rather than the other way round.

Glamorgan can afford to laugh a bit at that, following a rise last year above the mire of habitual failure from 14th to third in the county championship; winners of Sundays' AXA Equity and Law League semi-finalists in the NatWest Trophy, with passionate support in all events.

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"What about the idea of joining



Local boy: John Carr, vice-captain of Middlesex, comes from St John's Wood, close to the county's Lord's ground. *Adrian Murrell*

up with the rugby and football clubs to make Leicester seem successful?"

"A little bit. Not much. Not worth it."

"What's the secret of being a successful county?"

"Winning."

Leicestershire need to find a new,

stable system of management, as do several other counties, such as Yorkshire. The main thing to remember is that the only point of county cricket management is to enable players to do their best for a county they consider their home.

"I paid two entry fees of £27 and £5 and then won quite a big section with a prize of £2."

If Thomson had not had her massive horsebox sponsored, then just the trip to the competition would have left her hugely out of pocket. These are not isolated problems suffered by a few stars. In the bars and stable yards at Badminton, this will be the main topic of conversation among the competitors.

The final stage of my three-day event is the showjumping section. In private, few event-riders have much time for the Hollywood world of indoor jumping, yet financially it goes from strength to strength, bolstered by interest in continental Europe. It may be that with its background of cavalry training and foxhunting, the world of horse trials is too idiosyncratic to fit into the modern corporate milieu.

Eventing/Keith Wheatley

Expensive horses for the big courses

One of Thomson's seven eventers, probably King Basil, may soon be on the market. "There are very few riders this season with major sponsors," said Thomson. "A couple of years ago companies were willing to underwrite a string of horses."

Recession, said Thomson, made them withdraw. However, since it may take four or five years to bring a top horse, the competitors are committed to the quality animals they took on in better times.

Mary Thomson, winner of the 1992 Badminton horse trials on King William, is another international eventer with money worries. Gill Rutherford, her personal patron, is pulling out for business reasons.

the European tree, has also reached the end of the financial road.

"Most of my assets, except the horses, have been sold," said Little. Her magnificent gelding, Chieft, won a record £13,000 in eventing prize money during the 1992 season, which probably just about paid his running costs. In contrast, the renowned showjumper Milton has several times won more than £250,000 in a season.

Sentiment is not the principal barrier to a rider selling a top horse. Cross country courses are dangerous places. Deaths (human and

equine) at the big fences have increased. Horse and rider need years to build the mutual confidence needed to tackle such as Burleigh and Badminton. One can sell the horse but not that relationship. Hence the small market in outstanding eventers. When they are sold for serious money it is usually to countries such as Italy and Spain, where prestige is a considerable factor in any purchase.

Yet horse trials have never been more popular with both competitors and the public. A British stable is hardly worth the label

these days without a three-day event in the park. Upwards of 250,000 spectators are expected for the four days of Badminton.

While the bulk of the audience

will line the 4.25 miles and 29 fences of Saturday's cross-country course, dressage is proving increasingly popular and attracting large, enthusiastic crowds on Thursday and Friday. Although the total prize fund of £20,000, put up by Mitsubishi, sponsors of Badminton, is the biggest in the sport, it seems tiny in relation to the size of the event and the cost of participation.

"I went to an event in Buckingham last week," said Thomson.

"People are more turned on by sport when there is really big prize money involved," said Elliot. "It creates hype and media interest, which in turn pulls in the backers we need to keep going."

At one-day events, the grass roots of the sport, stars such as Thomson and Elliot win their personal spurs and train their novice horses. Entry lists which used to be a dozen or so are closer to a hundred. But much of the commercial infrastructure remains in the past.

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ham last week," said Thomson.

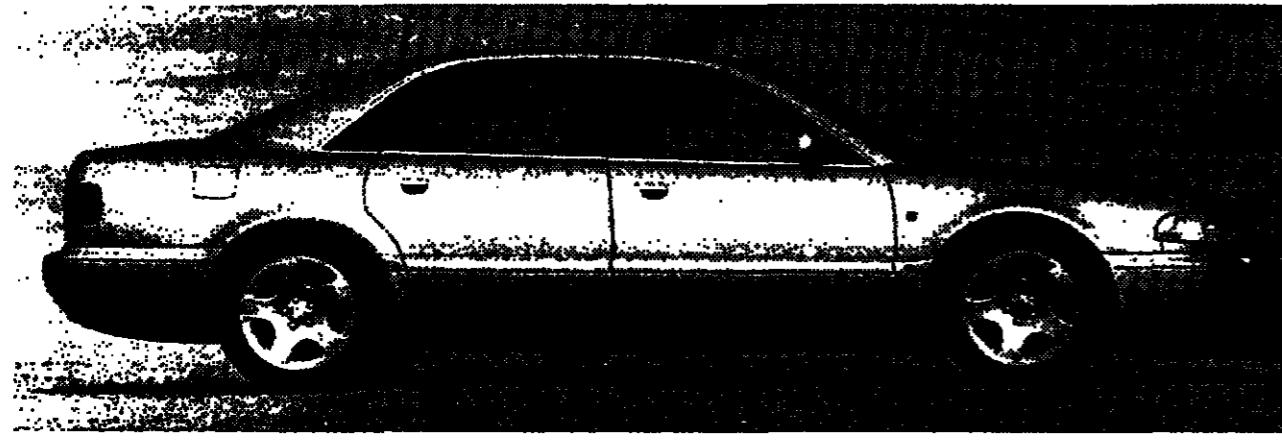
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Ginny Elliot (formerly Lang) was pessimistic about Badminton even before minor injuries to her two entries, Welton Houdini and Romance, forced her to pull out of next weekend's competition. Since the withdrawal of her sponsor, Citibank, Elliot's chances of a fourth Badminton win were already tinged with financial worries.

"I'm very close to having to sell one of my top horses," she said. She has always managed to avoid this crisis, but other top riders such as Mark Todd and Ian Stark have already found it the only way to meet their competition overheads.

Mary Thomson, winner of the 1992 Badminton horse trials on King William, is another international eventer with money worries. Gill Rutherford, her personal patron, is pulling out for business reasons.



The Audi A8 4.2 quattro. Uniquely for a big luxury saloon, it has permanently engaged four-wheel drive

Motoring

Audi breaks the mould

Audi's new 4.2-litre V8 engined A8 luxury car breaks a number of moulds. Its structure is entirely of light alloy, not the usual pressed steel. It is neither front nor rear-wheel driven but a quattro - the 300 horsepower 4.2-litre V8 engine drives all four wheels.

The transmission is Tiptronic, like that fitted to the Porsche 911 Carrera I enthused about two weeks ago. A driver may treat it as fully automatic or use it as a four-speed manual gearbox on which clutchless changes are made instantly, under full power, if desired.

As if that were not enough, the A8 also has a traction control system. Should the combination of an insensitive right foot and a low grip road surface provoke any of the four driven wheels into losing grip - say when restarting on an icy hill - electronic differential locking stiffens the wheels. The side windows are double glazed; but there is nothing trendy or new fangled about the interior. A typical Jaguar or, for that matter, Bentley owner would feel perfectly at home, cosseted by the soft leather seats and plentiful wood veneer.

From the outside, the A8 driver has little idea what a high-technological treat is in

store. There is nothing wrong with the A8's styling, though there is nothing exceptional about it, either. I detected a lot of Audi 100 and overtones of Lexus LS400 - the car, incidentally, that Audi's development engineers used as their benchmark for silence and refinement. (Yes, I know the Lexus is Japanese but it was designed to look uncannily like the

Audi's new 4.2-litre V8. The all-aluminium alloy construction saves weight; the A8 is about 200kg lighter than it would have been if made of steel. Clearly, this helps fuel consumption. A British driver who stays within sight of motorway speed limits and does not spend too much time in city centres or on very short journeys should see around 21mpg (13.45-12.84 l/100km).

It has to be said that most big cars feel fine on an auto-ham. But the A8, in spite of its size, was exceptionally nimble. When I heaved up by the side of the Schwarzwaldhochstrasse but, alas, the surface was mainly dry. It would have been interesting to assess the A8's security in arctic conditions. I doubt that any high-performance luxury saloon with only two-wheel drive could match its driving security.

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When the A8 V8 reaches Britain in September, it is likely to cost about £46,000. But engine and road-induced tyre noise was minimal. Top speed

is governed at 155mph/250kph.

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South cashes a trick to the heart queen. South cashed ace of clubs and tried the knave finesse. East had the queen - one down.

South should realise that he

can afford to lose the trump finesse to East because East can be end-played and forced to surrender the 10th trick.

South cashes ace and East shows out. West's queen is picked up and there is no further problem. If East holds the three hearts, declarer cashes the king, eliminates the diamonds and throws in East with a trump to his queen. He is forced to lead into the club tenace or concede the ruff discard.

Derek Rimington has

designed a scoring table for

TRAVEL

Choice of hotel is arguably the most important element of a hotel holiday – even more important, I often think, than choice of country. How can you know that the hotel you choose will be precisely to your liking: well-located, peaceful (or lively – requirements vary), comfortable, good value, and run by people who can spell ‘hospitality’? You cannot. Staying in a hotel you do not know is nearly always a gamble.

Friends can help. Those familiar with your tastes and foibles can be extremely useful. Ditto travel agents you can trust. Travel is their business. They junket extensively, gathering up-to-date intelligence – so make them swear, on the brochure they are waving, that the holiday they want to sell you is one they would buy themselves if they hadn’t enjoyed a freebie.

Brochures can be tricky. Study them carefully, especially the pictures. Ignore the puffery and try to imagine yourself staying in that hotel. Think about its location and facilities, let alone the rate. If the only picture of it in the brochure shows half a swimming pool or a

Hotel file / Michael Thompson-Noel

The gamble on hospitality

chef waving a fork, avoid it. The pictures should reveal as much as possible, especially the bedrooms.

At Easter, I stayed in the Forte Village, south-east Sardinia, which was built in 1971. From the four-page spread devoted to it in the Italian Escapades brochure, you get the impression that the village is huge; that it is proud of its food; that it caters especially to those interested in sports and fitness; and that it is ideal for children.

All quite true. It is huge – 55 acres, three hotels, 438 bungalows, numerous restaurants, extensive sports facilities (including 17 tennis courts) and a health and beauty centre, the Terme del Parco. The food was good. The village is ideal for children, although an expert on the subject told me she was impressed with the facilities for very young ones; and the Hotel Castello, in which I stayed, is well managed.

But the village wasn’t me. I found it full (it had just opened for the season, so was barely into its stride); isolated (but not if I had had a hire car – I forgot my licence); and far too big and rambling for its own good. Nor is it really serious about its sport. If you want sport, go to Club Med, or to a genuine sports ranch. At times, Forte Village hosts big corporate conferences, so you would have to trust to luck that you were not suddenly surrounded by jabbering conference-goers.

Now is the village cheap. Italian Escapades says that its holidays at Forte Village start from £249 per person per week (September 1994 price) for a twin-bedded bungalow, breakfast, dinner, return flight from the airport (£40 return a head). Pretty steamy. At Easter, England football star Paul Gascoigne holidayed at Forte Village, which probably says it all.

On the other hand, the Italian Escapades brochure is a mighty useful document: 168 pages covering a wide range of hotels. From studying it – especially the pictures, and the clues they offer about locations and bedrooms – I am 95% per cent confident that I would be more happy in quite a few of them. In each case, Italian Escapades quotes chartered and scheduled air fares as separate items. You can book accommodation only. You can also fly to one airport and return from another.

In the peak period, July 23-August 19, a twin-bedded room with sea view in the Hotel Castello costs £181 per person per night, plus £181 per person per week, plus flight (charter: £199 return) and transfer from the airport (£40 return a head). Pretty steamy. At Easter, England football star Paul Gascoigne holidayed at Forte Village, which probably says it all.

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Italian Escapades: 222 Shepherds Bush Road, London W6 7AS. Tel: 081-749-999. Forte Hotels: 0345-404-040.

■ A famously agreeable hotel is Reid’s Hotel, Madeira. It has almost everything: cliff-top location just outside Funchal, excellent food, good staff and marvellous gardens. Among other events, Reid’s is organising its first opera festival this year on July 26-27. Cost: £287 a person including seven nights in



the hotel, a reception, and two operas and barbecues. Flights are extra. UK reservations: 0256-841 155.

In the same ownership as Reid’s are two first-rate English country house hotels: Charingworth Manor, near Chipping Campden, Gloucestershire, and Bishopstrow

House, Warminster, Wiltshire. They are chips off the Reid block.

There is a type of English country house hotel – ultra-luxurious, ultra-expensive – that specialises in frigidity: so posh and concealed that guests feel obliged to whisper and tiptoe and dare not blow their noses, not even in the shrubbery.

Charingworth Manor and Bishopstrow House are not like that. I found both extremely comfortable, enjoyed the food greatly, and was impressed by their facilities (each, for example, has a fine indoor swimming pool).

Above all, thanks to invisible but skilled management, I found the hotels struck a perfect balance between quality of setting and lack of pomposity. At one of them, a waiter had a screaming fit at breakfast time – something to do with a sausage, or possibly several sausages – which added to the fun.

■ At Charingworth Manor, room rates per night for two, for dinner plus B&B, are £148-£207 on weekdays and £164-£235 at weekends (suites extra). Tel: 038-976 555. Bishopstrow House: £21-£114 per person per night, dinner plus B&B (suites extra). Tel: 0385-512 312.

Cold comfort in Iceland

It was about 4am, at the end of the first day of the journey, that my mind began to dwell on a throw-away remark by my host, Asger Heidar, that ‘Iceland is tough’. We were in a convoy of three off-road vehicles but two of them, including mine, had gone through the ice at the edge of a frozen river.

Attempts to tow them out failed because the bank was steep and, as the rear wheels sank in the snow, the snow underneath the vehicles compacted. Digging caused the wheels to sink further. The temperature was -15°C as we went to sleep in our seats aware that, if the third vehicle were to get stuck, we would have to sit tight and wait for the rescue service to find us.

Crossing Iceland’s interior in winter has become popular, at least with Icelanders. Heidar proposed this journey after we had met on a summer fishing trip. An enigmatic character, he makes his living entirely from hunting and related activities.

He lives and breathes the wilderness, spending the late autumn months roaming snow-covered mountains as a guide or on his own, shooting birds and, occasionally, reindeer. The winter treks are purely for pleasure. I could scarcely resist his invitation – nor its implicit challenge.

There are no long journeys in Iceland: it is scarcely 300 miles across at its widest. But almost no one lives inland where sweeping plains, strewn with boulders of lava, are bordered by low granite mountains. When all is covered with deep powder snow and ice, customised four-wheel drives are needed.

Even then, you need luck with the weather. Two systems compete: the temperate Gulf Stream and chilling winds from the Arctic. At its best, winter brings cloudless blue skies and a sun that provides comfort even when the shade temperature is well below freezing. But a fierce and unbearable wind can whip up without warning.

We set off from Reykjavik on our own. The plan was to start along the coast road before seeing the famous geyser and nearby waterfalls at Gullfoss, 40 miles inland. Then we would head for the weather station at Hveravellir, close to Iceland’s heart, meeting the other vehicles en route. Finally, we would aim to cross the Langjokull glacier before turning north again to fish for Arctic char through ice holes.

We aimed to be away for three or four nights and sit out any storms in the wooden shelters that pepper the wilderness. But the road from Gullfoss was marked on the map as crossable by 4WD vehicles only in summer, and we soon faced virgin snow. Within minutes, my vehicle’s wheels were spinning helplessly.

After extricating ourselves, we inch towards the highlands. Snow had buried the moss-covered lava boulders that are the main feature of the summer landscape, turning the plain into a smooth white desert and softening the distant mountains.

There is next to no life: a few ponies and ravens near the coast, then just occasional tracks from Arctic fox or ptarmigan – a snow-white bird somewhat like a grouse – spotted by Heidar’s sharp eyes. At one point we had to turn back: the off flags that marked the edge of the road had disappeared under the snow and we became stuck, repeatedly as we sought a new path.

Then we reached the first rendezvous point and stopped on top of a hill in the dark to await the last of Heidar’s friends. As we sat, a lace-like ribbon of light wove through the sky, then another and a third. The Northern Lights are still a mystery but at their best, I was told, energy concentrates in a luminous sphere that explodes, sending colours streaming in all directions. This night, showers of light cascaded like spirits over our heads in shades of vivid pink and green.

From here on, we used a satellite navigation system to chart our

Help is not at hand when injury strikes on David Nissan’s frozen adventure

course in the darkness. This was how we arrived, mistakenly, on the frozen river Jokulsa.

The morning brought luck. The third vehicle found a safe route on to the ice and managed to haul us up. Thereafter, we coasted easily on hard snow, reaching the weather station by mid-morning. A journey of around 90 miles had taken 22 hours.

The weather station is built next to a geyser. Near-boiling sulphurous water runs from open craters and collects in a pool just below the visitors’ hut. A pipe feeds an ice-cold spring into the pool and you pick your spot in it for the temperature you want.

This climate is most dangerous when you relax. Heidar slipped on the ice while running back to the hut and fractured his cheek and eye socket in four places. The emergency services refused to send a helicopter; for that, injuries need to be life-threatening.

He took the wheel for the drive back to Reykjavik the next day so that he would have some control over the bumpiness of the ride. Other vehicles laid tracks ahead to speed our journey. But the doctors who eventually operated for three hours said his injured had been worsened by the way he gritted his teeth all the way back. Very much the Viking, he never once complained.

Yes, Iceland is tough. But for the two hours before Heidar fell, we had been luxuriating in the hot pool watching the Northern Lights as ice crystals made crowns in our hair.

■ Many Reykjavik hotels will arrange winter expeditions taking from six hours to two days. Asger Heidar: tel: 354-1-676 350.



One for the road... a Shanghai pedicab driver awaits customers in the city where, it is said, a new company is formed every 11 minutes

Boom-town Shanghai can learn from its dubious past

Old Shanghai is remarkably intact. The great banks and trading houses, the old hotels, the palatial villas and the clubs still stand. For the European, strolling through the Bund, the great banks and trading houses erected in the first half of this century. They are the monuments of old Shanghai, Asia’s first and greatest commercial giant.

Created by Europeans in the mid-19th century from a fishing village on a mud bank, Shanghai was a concessionary port where foreign traders could operate immune to Chinese customs and laws, a situation that continued until the communist take-over in 1949. By the 1920s, Shanghai was a cosmopolitan city with a huge expatriate population and a dubious reputation. ‘One never asked why someone came to Shanghai,’ Lady Jellicoe warned.

‘It was assumed that everyone had something to hide.’

Old Shanghai was a bit of Europe grown grotesque in the hot-house climate of the Orient. In a city caught between the South China Sea and 1,000 miles of rice paddies, you could order a well-cut suit, a French dinner, a new car or a set of monogrammed golf clubs.

You could attend horse races, baseball games or football matches. You could gossip in five languages. A suburban colonial life-style offered the reassuring rituals of afternoon tea and club membership but did little to gloss over the base temptations in which the metropolis had come to specialise.

The missionaries who went hunting Chinese souls declared that if God allowed Shanghai to survive, then he owed an apology to Sodom and Gomorrah.

Only the pursuit of pleasure rivalled the pursuit of money. Shanghai catered to every taste.

Gambling clubs, dance halls, opium dens, freak shows, music halls and brothels vied with each other for trade. ‘If you want girls, or boys, you can have them, at all prices,’ wrote Christopher Isherwood. ‘If you want opium, you can smoke it in the best company, served on a tray like afternoon tea.’

The prostitutes were re-educated and sent to work in factories; the White Russians set sail for Australia; the bankers, traders and gangsters went to Hong Kong, Singapore or Sao Paolo, and the international riff-raff went home.

After the public avenues of the European districts, the old Chinese city – which lies to the south of the Bund – seems an intimate, domestic place. The inhabitants lunch on their doorsteps and wash their hair at outside taps. Pastry cooks stand in open windows conjuring dumplings from clouds of steam. Tiny shops specialise in buttons, umbrellas, block prints, carving knives, dressing gowns, pet birds and snuff

nights before their arrival, Chiang Kai-shek cordoned off the Bund and emptied the banks of their bullion. They carried the gold bars across the road in the glare of headlights and loaded them on to ships for Taiwan.

Within weeks the brothels and bars were closed, the street names changed and rickshaws abolished.

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and sent to work in factories; the

White Russians set sail for Australia; the bankers, traders and gangsters went to Hong Kong, Singapore or Sao Paolo, and the international riff-raff went home.

In the billiards room across the hall, nothing seems to have changed in 60 years except the height of the tables. During their occupation, the Japanese cut down the legs to improve their cue action.

The centrepiece of the Bund is the Peace Hotel, known formerly as the Cathay. Built in 1929 as the headquarters of the Sooson empire, it was in its day one of the finest hotels in the world. Noel Coward

wrote *Private Lives* there, sitting up in bed in an uncharacteristically hideous dressing gown, listening to Sophie Tucker records.

Having survived spies, Americans and Madame Mao, the Peace has now regained its former elegance.

Every evening, a septuagenarian

but sprightly jazz band plays a ragtime collection of tunes. In the restaurant upstairs, the waitresses are once again wearing the cheongsam, the long, split skirt banned by the communists.

At night, with the tugs hooting in the Huangpu, below, you can gaze along the floodlit buildings of the Bund, like a vast stage set.

As for the new stage set across the river, you sense that the script is not written yet. Past and future face each other across the Huangpu, and the former has much to say to the latter.

Shanghai’s first commercial boom was brought to an end with the communist take-over. With hindsight, the reasons for its demise are fairly predictable: rampant corruption, an excess of foreign ownership, and an inability to include the widest spectrum of people in the benefits of its boom. On the brink of its second boom, Shanghai would do well to remember that lesson.

Stanley Stewart explores a city at the forefront of China’s rush to the future

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but sprightly jazz band plays a ragtime

collection of tunes. In the restaurant upstairs, the waitresses are once again wearing the cheongsam, the long, split skirt banned by the communists.

At night, with the tugs hooting in

the Huangpu, below, you can gaze

along the floodlit buildings of the

Bund, like a vast stage set.

As for the new stage set across

the river, you sense that the script

is not written yet. Past and future

face each other across the Huangpu, and the former has much to say to the latter.

Shanghai is a city at the forefront of China’s rush to the future

DRUGS: wrecked lives in Bolivia

Later he undertook a similar agreement with British Customs’ drugs intelligence authorities. Their children notwithstanding, his marriage to Carmen was part of an elaborate cover for a complex but profitable life of dealing and double-dealing.

At first Carmen could only make guesses about his business during the year they spent in five-star hotels in Rio de Janeiro; about Shaw’s irregular flights between Brazil and Bolivia; about the sunsets that disappeared from their hotel rooms as mysteriously as they arrived; and about Shaw’s association with Ronnie Biggs, the great train robber she had never heard of before but who, given her husband’s growing antipathy and secretiveness, became her confidant.

But Shaw, it turned out, was no ordinary pilot. He had spent most of his life ferrying illegal drug consignments around the world – hashish from Afghanistan, cocaine from Latin America. At the same time, though, in a deal worked out in 1982 while serving a sentence in a British prison, he agreed to work covertly for the US Drug Enforcement Agency.

Now, Shaw became increasingly paranoid. He repeatedly accused Carmen of informing on him, and more than once threatened her violently with weapons. Then came the day when he appeared, his ankle broken after a rooftop chase across the city, saying men were trying to kill him.

And the money stopped coming. Shaw, it seemed, had been dumped by both his drug-dealing associates and his government employers. Without resources, in early 1982 he asked the British embassy for repatriation for himself and his family. It was granted, and then at

TRAVEL

In the tracks of Quixote across a land of fantasy

With a name of a *conquistador* and the bearing of a well-nourished Castilian peasant, José Diaz Pintado Carretero struck me as just the person I was looking for in my quest for Don Quixote.

He ran a small electronics shop in the central square of Argamasilla del Alba, specialising in Japanese organs, but it was not because of his dedication to new technology that I had been guided to him.

Don José, plump, moustached, and with a boisterous laugh that made his organs rattle, was an *Academico de Argamasilla*, with a life-long hobby of dedication to Spain's most universal literary hero.

We shared a bottle of wine and a large piece of *chorizo*. He erupted with laughter when I asked him what university he taught at. "I am not an academic. I'm an eternal fan, an *aficionado* dedicated to speculation, speculation, and pure faith."

Don Quixote sets off on his travels from an unnamed "place in La Mancha", that region of Spain's central plain which lies between Madrid and Andalucia. Consequently, each little town for 200 kilometres south of the capital claims Don Quixote as its own.

But José was insistent that Argamasilla - today a dusty agricultural town filled with olive pickers and vine diggers - was the place where it all began and where it ended. Here was the library where his hero had studied his books of chivalry. Here was the prison where he had languished. "We spent my life trying to find out why. Was it because he didn't pay his taxes or because he wolf-whistled a noble lady; either thesis is possible."

No use arguing with José that Don Quixote never existed, and that the man

imprisoned in Argamasilla was Miguel Cervantes, his hero's inventor. I had been travelling long enough in La Mancha to understand that this is the kind of region in which one can easily believe in anything.

A few days earlier I had flown to Madrid, seeking out Europe's self-proclaimed cultural capital. The Prado, as always, was a joy, but before getting to the now-permanent Thyssen exhibition, I had already sought escape from the frenetic traffic, the pollution and the sense of collective malaise.

As Jimmy Burns crosses La Mancha in search of a hero, reality and fiction begin to merge

also which my Spanish friends say is a symptom of recession.

I left armed with Cervantes' masterpiece in my bag, and the thoughts of the Spanish philosopher Ortega y Gasset in my head: "Castile, felt as visual unreality," wrote Ortega some 70 years ago, "is one of the most beautiful things in the Universe."

After the office blocks and the traffic jams came the open plains of La Mancha, not green, certainly, but not barren or uncompromising either. Castile here is a kaleidoscope of changing shapes and colours. First comes the reddish earth where the vines are lined one behind the other; then the mountains of the south looming on the horizon like sea monsters washed on to some hilly distant shore.

Along the way there is an extraordinary sense of space, broken occasionally by a flock of sheep or a clump of olive trees where the vines leave off.

Not since motoring through Patagonia had I felt a similar sense of anguish mixed with heightened expectation. I was hungry and thirsty, too. Delivery from the motorway came in the form of the first necessary port of call on my literary journey: Puerto Lepic. It was into this village that Don Quixote had ridden "weary and dying of hunger... looking in all directions to see if he could discover any castle or shepherd's hut" where he could take shelter.

Having parked the car, we wandered on foot through the streets of brilliant whitewash, where fruit was being pressed and horseshoes forged in inner courtyards, but where otherwise nothing seemed to be happening under the sun. My companion stopped to cash a traveller's cheque in the bank, and was told by a young clerk that she had never handled such an instrument.

It was lunchtime, though, and it was not hard to find a local inhabitant with a sense of priorities. "The Venta de Don Quixote," said a woman in black, pointing down an avenue of white trees.

"Now there chanced to be standing at the two young women of easy virtue who were on their way to Seville with some water carriers... As everything that our adventurer thought, saw or imagined seemed to follow the fashion of his reading... he convinced himself that it was a fortress with its four towers and pinnacles of silver..."

The only female strangers I saw - one with a mass of black curly hair, the other with stunning blue eyes - were cleaning the kitchen floor and seemed in a

hurry, not to move on to Seville but to get back to Madrid, from where they had reluctantly emigrated.

I shadow boxed with the armour before allowing myself to be led to a table in the spirit of Sanchez Pamza. We drank a litre of *Valdepeñas* wine, and guzzled beans, *chorizo* and bits of smoked ham served in an earthenware bowl. The stew, or *olla*, has been La Mancha's peasant fare for many centuries, and no amount of fast food chains - or increasing prominence in metropolitan Spain - has managed to eradicate it.

In the *venta*, up in the hills, above another glittering village of whitewash and blue tiles - Campo Criptana - were the windmills. That afternoon they stood defiantly as a wind gathered, picking up dust. A young Dutch couple sat leaning against their rucksacks, staring at a red sun. When

they saw me, the man asked:

"Do those windmills make bread?"

I told him: "Those you see there are giants with long arms; some of them have them six miles long."

The Dutchman smiled: "Well

it makes a change from looking at cathedrals." He had recently been in Toledo.

For a long time we stood there, saying nothing else, just listening to the wind and watching our children dance between the "giants". With their black hair and wild gestures and laughter, they seemed caught in a dream of gypsies which my hero on occasions stumbled on.

Beyond us a madman, his trousers half-way down to his ankles, was gesticulating at one of the giant's arms with a walking stick. His expletives were almost incomprehensible, but I gathered he had been abandoned by his wife.

Later that afternoon I stopped for the night at the next village on the Quixote trail, El Toboso. Here the houses of Dulcinea, the rough peasant cook my hero took for a princess, has been preserved as a museum, next to a convent where the nuns intersperse their prayer sessions with biscuit-baking.

We took a room above an inn, where the largely male clientele seemed either tall, bearded and very thin, or short and stocky - Quixotes or Sanchos almost to a man. We were fed on *gachas*, a quite indigestible dish also of long-standing tradition in Castilian peasant kitchens: bits of pork fat fried with garlic and hot peppers.

I was conscious that Don Quixote had searched for his princess after midnight, so, restored with a large brandy, I set off into the night. The tall tower of El Toboso's 16th century parish church stood out

above the narrow streets, its pale stone illuminated and turned golden in the sea of black. Except for those in the inn, the whole population appeared to have retired. The only beings were a dog distantly barking and a ginger cat that followed me for an hour, purring and sliding his back along the whitewash. Near the local convent, Dulcinea's house was closed for the evening.

The next day, armed with a map provided by the parish priest, Don Nicolas - another Quixote expert - I went looking for the Cave of Montesinos - a den of white wash. Near the lake district of La Mancha The lakes are small lagoons which have gathered mirage-like and somewhat miraculously in an area surrounded by arid lands.

The cave was well off the main road, across a countryside of petrified trees and loose bramble. Luckily the crippled vegetation was not too overgrown so I did not need to use a sword, as my hero had done, to cut my way through the cave's mouth. But neither did I have a rope and Sancho to lower me in. I stepped forward cautiously, using a torch.

For many centuries the wizard Montesinos had waited for Don Quixote deep in this cave. Thanks to him, the mad knight discovered enchanted castles and Dulcinea del Toboso, and re-emerged a better man, his courage proved, his dream fulfilled.

I was frightened out of my wits by a large bat. It was the only other living creature I encountered before chasing my own shadow and running out, back into the sunlight. All around me the plains of La Mancha were melting to the sound of crickets.

■ Spain: A Literary Companion, by Jimmy Burns, was recently published by John Murray, London (£16.99).



Jimmy Burns

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PROPERTY

The islands where time slows down

Gerald Cadogan goes offshore to find homes with the promise of an independent and peaceful life

For an independent life, it is hard to beat the offshore islands of the British Isles. The pace is slower and the need for self-sufficiency greater – in case storms stop the ferry and the aeroplanes.

On the Isle of Wight, the "old fogey" retired locals at Bembridge go to ground in the summer, to emerge in September for hunting and shooting. "There is a splendid hunt which rarely catches a fox but gives a lot of people a lot of pleasure," I was told.

Out of season, Bembridge is a joy even if, in summer, it is a playground for the champagne and sailing set. "But all the same, it is fun to have them around," a local says. Seaview and Cowes are the other main haunts for smart sailors. In the 1980s, many of them stopped going to the island and went to France and the Mediterranean instead. Now, they are staying closer to home. Why? School fees and Lloyd's are thought to have some relevance.

The car ferries can be a problem and many people leave their vehicles on the mainland, at Portsmouth Harbour station, and take the fast catamaran to Ryde pier. There are also hovercraft on the crossing. A tunnel to the island, much talked-about, might happen one day – but Eurotunnel will need to source first.

For farmers needing to get animals to market and the slaughterhouse, a tunnel would be a blessing. The local abattoir closed in 1992; now, Salisbury is the closest. Since the trip is expensive, it is not surprising that several farms are for sale.

Yet, it is a gentle life for the residents – "rather like Ireland," as one described it. Indeed, the last really big event was D-Day and the preparations for it. Some want more visibility.

tors, and to encourage pop concerts. But many like it because it is quiet. Dolphin House, a sailor's property at Wootton Bridge with its own mooring, slipway and pontoon, has just been sold by Humberts (with Christopher Scott); it had a guide price of £280,000. On offer from Fox in Newport, however, are several attractive old cottages between £120,000 and £150,000. The old Ashey station – now a red brick house with six bedrooms and an Aga – costs £135,000 and still has the Isle of Wight Steam Railway running past.

Ryde Coronadelle (11 Bellevue Road) is a stuccoed Regency villa with a semi-circular drawing room with verandah outside. It has a vaguely colonial look: somewhere to drink gin in a wicker chair and tap the barometer. Did a sea captain build it? The price from Fox is £135,000.

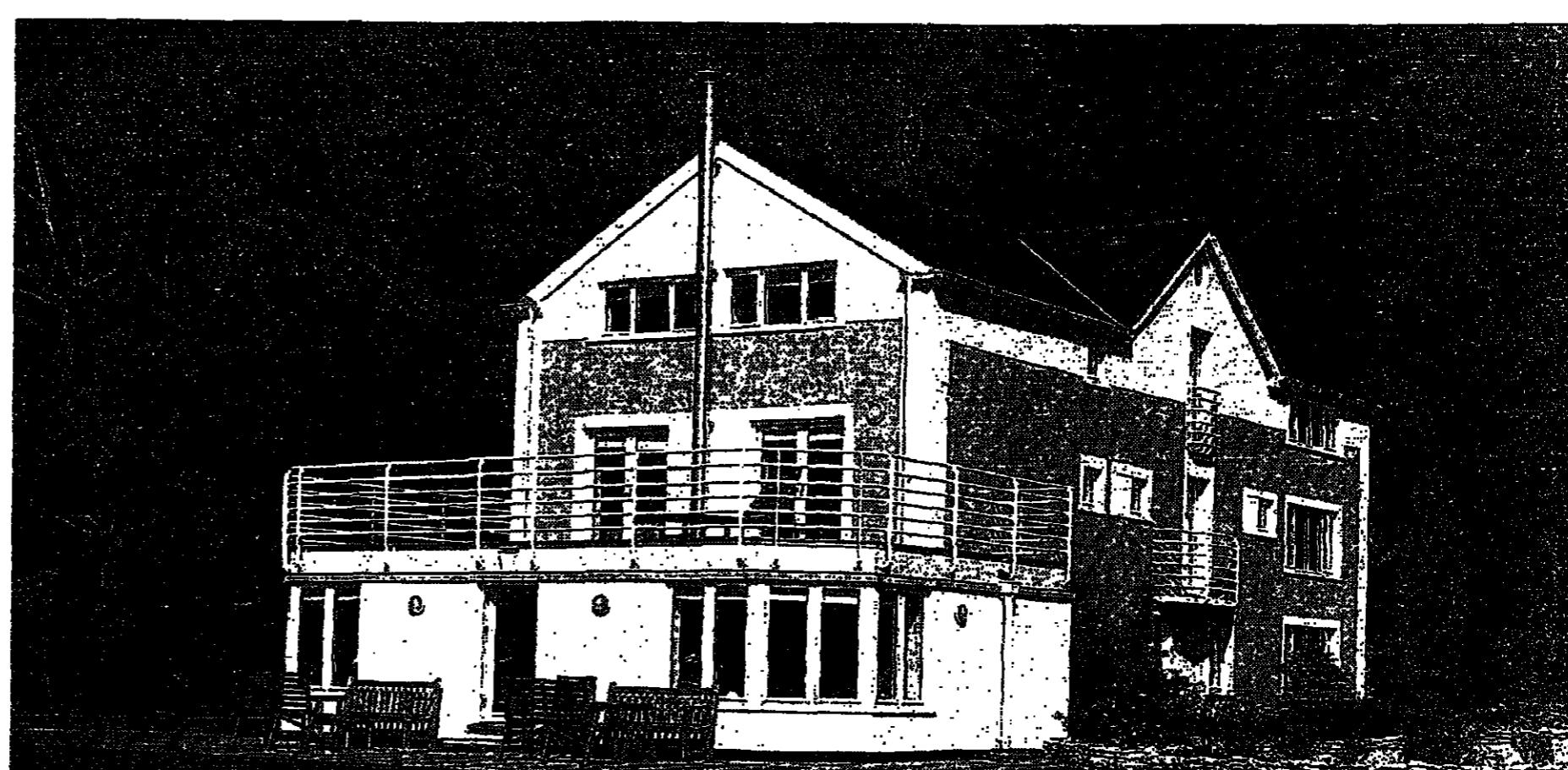
In Cowes, Mariners House – on offer from Scott for £280,000 – is on the waterfront and has three "crew rooms" in the attic (ideal for an ocean racing team or a large family) and splendid views of the Solent.

For £235,000, Fox's Shanklin office is selling Sandford House, substantial and Victorian, in Sandford village.

For £220,000, Scott and Hamptons offer jointly Horringford House, a Queen Anne property with barns, a cottage and a lake. William Cromwell lived here, grandson of Oliver and heir to Richard as Lord Protector. "WITB" is on a stone over the front door.

The Isle of Man is famous for kippers (with no artificial dye) and fresh fish. "My parents can never eat English fish," says a Manx friend. And it is almost always raining which, as we all know, is good for the garden.

The landscape is a rich mixture of mountains, glens, waterfalls and beaches. Only the noisy din of the



For around £280,000 ... Dolphin House, a sailor's property at Wootton Bridge on the Isle of Wight, which has just been sold



For £350,000 ... Comrie's Croft on the Isle of Man



For £150,000 ... Rock House on the Isles of Scilly

Tourist Trophy motorcycle races interrupts the quiet from time to time.

In this rural haven, crime is low.

There has been some resentment of settlers from Britain, known as "come-overs". Some are the super-rich attracted by income tax at 20 per cent and no capital gains or inheritance tax; this has produced a two-tier society, and smart restaurants.

The property market is cheerier than a year ago. The financial sec-

tor in Douglas is now hiring locals as well as outsiders; this is helping the whole island economy, according to estate agent Chrystals.

Comers will often be looking for a house costing upwards of £200,000. Among the islanders, there are more first-time buyers.

There is some movement in the market for the most expensive houses. Dean Wood recently sold Ballacrory Manor in Colby, a neo-Georgian stately home with pediment and columns, for £250,000.

But The Nunnery, racehorse owner Robert Sangster's glorious Victorian Gothic house – complete with a chapel where services are still held – remains on the market. The price from Dean Wood and Aylesford is £3.6m, compared with the original figure of more than £5m.

For £700,000, Chrystals offers Mid-Palace at Marown. This solid, large farmhouse comes with 22 acres and a guest/granary cottage. The rates are an incredibly cheap

£291.

Glen Truan at Brize, with 18 acres and views across the Ayres to a distant Scotland at the north tip of the island, is on offer from Chrystals at £225,000. The agent is also selling the white-painted Corris's Croft at The Garey, near Ramsey, for £350,000; and the Spanish-style Villa Carina, near Maughold, for £365,000.

□ The Scilly Isles, warmed by the Gulf Stream, are a gardener's

delight and a place of beauty and calm, with few houses. "They are like Cornwall but better," says Tony Dingley of Island Properties.

Eighty people live on the small island of St Agnes, which is linked by boat to St Mary's. In turn, that has mailboat and helicopter connections to Penzance, and an aeroplane to St Just, at Land's End.

There is a pub on St Agnes but no hotel.

The beaches are marvellous and traffic hardly exists. Miller and Island Properties jointly offer a 53-year lease from the Duchy of Cornwall on Barnaby Cottage, with its own mooring, for £159,950.

On St Martin's, most north-east of the Scillies, Island Properties is selling Bleak House – an old farmhouse with palm trees in the garden – for £160,000, and the 1822 Rock House for £150,000. The rock is granite.

□ Further information: Strutt & Parker: 0244-320-747; Chrystals: 0624-623-778; Dean Wood 0624-620-606; Fox: 0983-524-000 and 0983-865-151; Christopher Scott: 071-721-778; Aylesford: 071-351-2323; Humberts 071-629-0909; Island Properties: 0720-22-082; Miller: 0672-225-225

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Gardening / Robin Lane Fox

Poetic justice for recalcitrant roses

We are now into the season when booklets try to tell you how to solve your garden's problems. You need slug killer round to my hostas, which are emerging bravely this week, and my neighbours have required slug killer already, as invisible reason for their poor performance.

On both, I use Growing Success, the granules of which are consumed like blue-rinse caviar and send the enemy to an organic death. Emergent ground elder is cloaked with Roundup and the purple slugs of young bindweed are attacked with the higher fire-power of SDR Brushwood Killer.

But no leaflet tells you how to deal with my most maddening problem: roses which go backwards, not forwards. This week, I have invented my own solution and tried poetic justice instead.

This has been needed where the auspices at first, seemed perfect. Three years ago, the July sun was rising on the old-fashioned roses and us reptiles of Fleet Street were being feted in one of our finest rose gardens: there was even a lady in cream silk to welcome us by playing a harp.

In their first year, they caught me out by getting Black Spot as early as April; since then, I have moved back my preventive measures to early spring and I am spraying – as the stems would take off from the long roots which he searched out for me?

The years passed and the wires are rusting: progress has been negative. Every March, the leaf buds open and there is a slight attempt at growth, but the stems are as thin as pencils.

In their first year, they caught me out by getting Black Spot as early as April; since then, I have moved back my preventive measures to early spring and I am spraying – as the stems would take off from the long roots which he searched out for me?

In their first year, they caught me out by getting Black Spot as early as April; since then, I have moved back my preventive measures to early spring and I am spraying – as the stems would take off from the long roots which he searched out for me?

Arnie Wilson and Lucy Dicker are trying to ski every day of 1994 on a round-the-world expedition. They began the year in North America and are now in Europe.

Arnie reports: At last – good weather. Early in the week, it was still snowing quite heavily in Alpe d'Huez, allegedly one of the sunniest ski resorts in France.

But later, in the spectacular resort of La Grave, we enjoyed a stunning day of bright sunlight and oceans of fresh powder.

At Alpe d'Huez, Lucy and I accessed the skiing area from Vaujany – the only people in the 150-person cable car on the way up – and down. With luck, rather than judgment, we keep arriving in ski resorts the day before they

close. In Courchevel, Méribel, Les Menuires and Val Thorens we played "hunt the lift that is working".

Almost a year to the day since the skiing accident which had left him in a wheelchair, Mike Browne, boss of Snow + Rock, arrived in Méribel to ski with us.

"This is the moment I have waited for a year," he said.

The thought of accompanying the FT's expedition had been one of the chief driving forces in Mike learning to ski again, using a specially adapted ski-bob. He was able to use the button lifts and chairs, and although paralysed from the waist, skied incredibly well using "outrider" skis with his arms.

Mike also delivered, as he

still goes black and yellow – but not until late May.

So what is Kathleen in such a sulky? I have concluded that it is either me or the soil. And since I am not moving out to a rose bush, the soil has had to go.

None of the endless books on roses discusses the idea but, if roses want heavy clay, why not give them loads of it? Why not bus in a lump of unworkable Essex if Kathleen Harrop luxuriates in the old Thatchettie heartland? There are pretenders, although you have to look for them.

In my mind's eye, I see an old archbishop of Pisa who plainly thought on the right lines in the high Middle Ages. The benefactor class there wanted privileges in return for gifts. The Italian church could not give them birthday hon-

ours but the archbishop offered them an extra-special instead.

Through the city's network of crusading contacts, he arranged for a shipment of sanctified compost, dug on site near the holiest places of the Holy Land. Wheelbarrows had not been invented in the 13th century, but the compost arrived on carts and was scattered into his church's cloister, the present-day Capo Santo.

What is the equivalent of

sanctified compost for today's Oxford atheist? A bar

Clocks, Watches and Jewellery

Revived Swiss masters glory in complication



Blancpain minute repeater. Blancpain boasts: 'No-one has ever seen a quartz Blancpain. No one ever will.'

Ian Rodger goes to the Basle fair

Nicolas Hayek, the flamboyant chairman of SMH, the leading Swiss watches group, set last month's annual European Watch, Clock and Jewellery Fair in Basle off with a bang.

Hayek brought in Neil Armstrong, the astronaut who landed on the moon in 1969, to help promote Omega, one of SMH's many watch brands. Armstrong wore an Omega Speedmaster chronograph watch on his historic mission.

Together with two other astronauts, Hayek and Armstrong sat at the Omega stand and tried to have what was billed as an intellectual discussion about time and the cosmos for 1½ hours.

With the jostling of photographers and some banal initial questioning by the moderator, the so-called Omega Forum was unlikely to live up to its billing, but amid tough competition it attracted attention.

Indeed, it was difficult, even without a media event, to

maintain focus in this Aladdin's cave that the Basle Fair has become. Although quaintly titled "European", it has long been the most important trade fair for the world's watch and clock makers.

This year, 562 exhibitors from 15 countries participated in the watch and clock section. Officials claimed that about two thirds of world trade in these products would be initiated there.

Products ranged from an 18-carat gold skeletonised chiming watch from Vacheron Constantin, worth about \$400,000, to arrays of plain kitchen electric clocks.

The main message from the fair this year was the restored prosperity of many Swiss watchmakers. Companies such as Breitling, Tag Heuer and Oris, on their knees a decade ago, were confidently displaying new products on lavish stands.

Tag, for example, claims to have raised its turnover tenfold in the past decade, Oris to have doubled its sales since 1989.

For mechanical watch devotees, the Basle fair offered a feast of new and revived designs, with ever more impressive complications.

One official said the complexity of many multi-function watches had gone too far, and predicted that models would become more user-friendly. However, one of the watches Citizen introduced at the fair, the Pronoster Navithawk, may well have set a record for the number of digits and letters that appear on a single watch face.

The fair was again notable for its distinguished absences, including Swatch and some other companies in the SMH group, and the companies in the Cartier luxury products group. SMH withdrew seven years ago after a row over space, but Omega, an SMH company, returned last year and brought Longines with it this year. The group's policy henceforth will be to have Omega and one other brand represented at the fair each year.

Cartier, Piaget and Baume & Mercier pulled out three years ago because the event was not exclusive enough. As a Cartier executive put it at the time: "Our clients do not like the smell of sausages." They started their own more exclusive annual show, the Salon International de la Haute Horlogerie in Geneva, which runs concurrently with the Basle fair and which they claim has already established itself.

Basle officials observed that the Cartier defection has not been followed by others from the Prestige Hall. Also, a couple of the Cartier brands, Dunhill and Gerald Genta, have kept their stands in Basle.

Philippe Levy, the chief executive of the Basle fair organisation, departed in December after the city fathers vetoed a plan to build a regional exhibition centre together with neighbouring French and German communities.

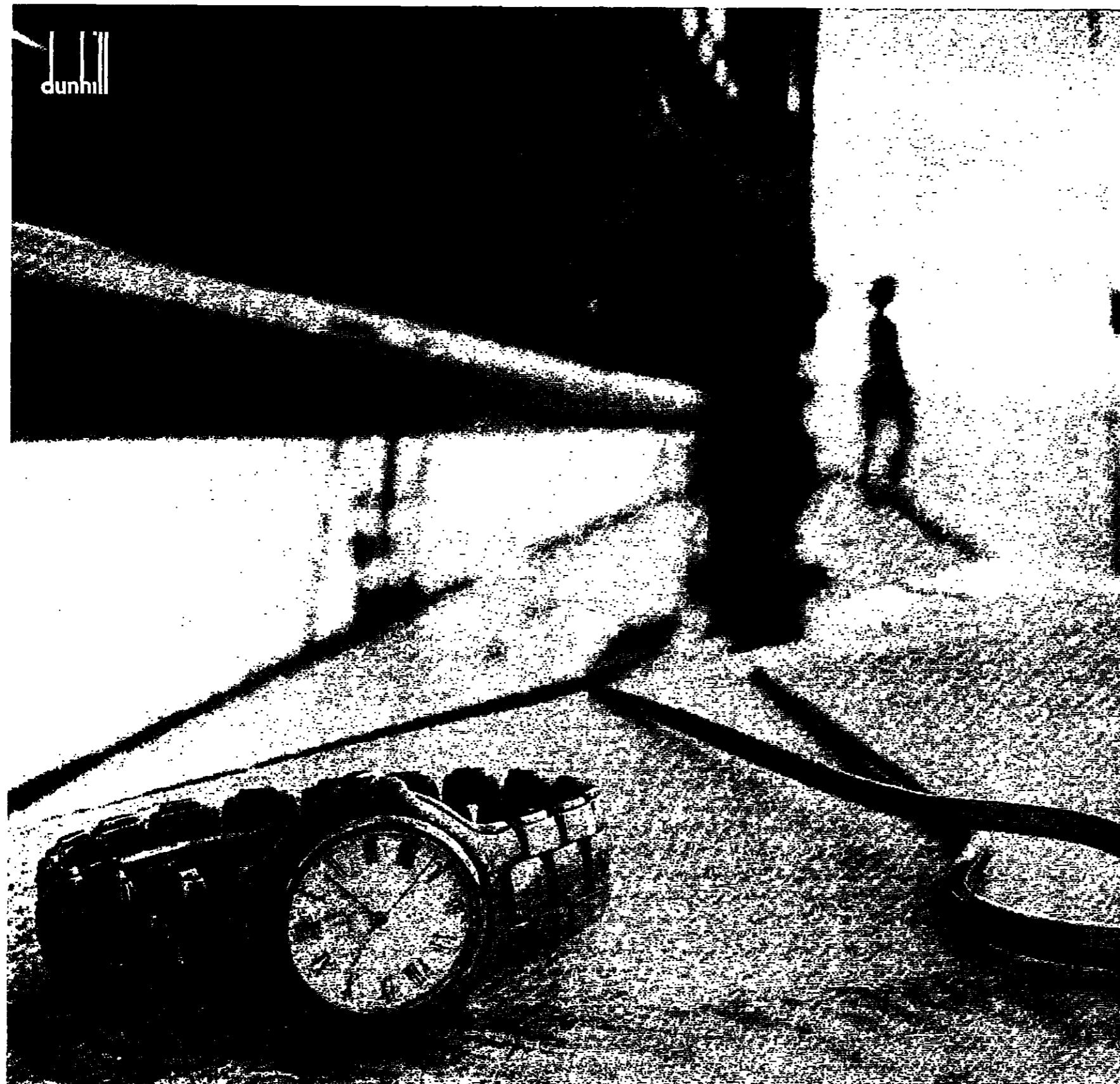
Fair officials insisted that the parochialism implied by the decision would not extend to their exhibition policies. Indeed, the name of the Watch Fair would finally be changed next year to the "World Fair for Watches, Clocks and Jewellery".

But it was bad news for the 500 odd watch and jewellery companies still waiting for space in the fair's existing cramped quarters.



Omega at the Athens Olympics: the company is now back at Basle

ALFRED DUNHILL



Photograph shows Dunhill water-resistant steel and 18ct gold watch with sapphire glass - essential for the gentleman plotting a voyage. Once underway, however, another timepiece may also come in handy.



The Times, London,
10th October 1993.

Available at: Alfred Dunhill stores, Harrods, Selfridges, Watches of Switzerland Ltd., The Goldsmiths Group and trading jewellers.

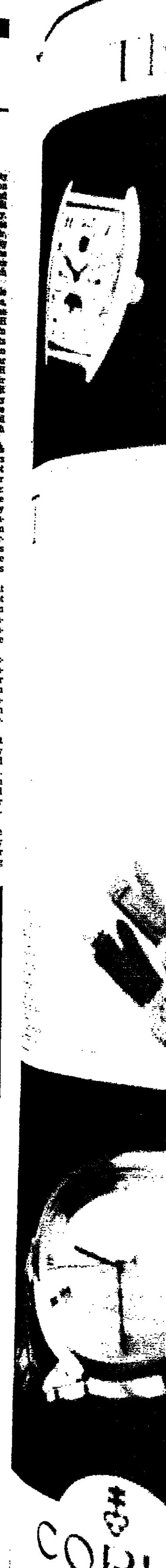
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Olympic Ideal? Advertising poster made for the 1984 Los Angeles games



A craftsman works on an exotic watch from Blancpain's Polso collection



CLOCKS, WATCHES AND JEWELLERY SURVEY

The changing faces of fashion



Time is money (from left): Franck Muller perpetual calendar watch SFr34,800; Chronoswiss Tora dual time-zone watch, £1,650-£4,800; Tourbillon movement with minute repeater and perpetual calendar by Muller, SFr225,000; Patek Philippe perpetual calendar £25,910

There was a time when watches existed independently of fashion. Men or women customarily received an important watch to mark their 21st birthday and other than the addition of a dress watch, they continued to wear the same.

However, the watch has become a fashion accessory.

"Today the norm is to have many different watches for several different functions: a classical watch for smarter events and evening, a fun watch that can be worn casually at the weekend and sports watch in the office which, although being a diving watch or chronograph, will never go near the water and have nothing more important to time than seconds on a parking meter," says Matthew Cundy, sales manager for Cartier.

But what of trends? Although flashy watches, bristling with precious stones, remain popular in the middle and far east, the general movement, like fashion itself, is far from the ostentation typical of the 1980s. "It is no longer important for your wrist to show everyone how successful you are. All that matters is that you know," says Cundy.

Frank Edwards of the Federation of the Swiss Watch Industry, agrees: "Watch makers have latched on to a need to get away from the avaricious 1980s and a yearning towards a more romantic, stable and attractive past."

To this end, Cartier has designed a charming Art Deco range, made from materials such as black enamel and diamonds. Franck Muller, a new-

ish, clever Geneva watchmaker, has produced a range of wristwatches called Casablanca. You must go to Switzerland to buy them.

Nostalgia manifests itself in two ways. First, the mechanical watch, which only a few years ago was threatened with extinction by quartz, has fought back. It accounts for 12 per cent of volume and 48 per cent of value of all Swiss watches sold. Chris Parks, of Chronoswiss, a brand of watches with customised movements that has enjoyed great success since its introduction to Britain a year ago, says: "Why buy something that has been stamped out on a production line, when you can have a watch that has been made by craftsmen?"

Secondly, there has been a renaissance of watches that were popular in the inter-war years. "Improved technology

has meant that square watches are ripe for a relaunch, because the glasses are now made of sapphire crystal, which does not fall out and protects against dust and damp," says Parks. All the leading brands have them.

Patek Philippe, which makes some of the most beautiful watches, has a chronograph in a totem case with a perpetual calendar and, for women, a rectangular Gondolo watch with an elegant bezel paved with diamonds.

Cartier produces its famous "tanks", including the new Tank Obus which features Roman numerals and a crown set with a cabochon sapphire. Jaeger-LeCoultre offers Reverso Duo, which has two back-to-back dials, showing times in different zones.

Franck Muller has devised his own version of the totem, known as a curvex,

John Morgan looks at the latest design trends in timely accessories

which houses intricate mechanisms. Grand old Breguet has a super totem and Audemars Piguet delights with a 1940s-style square wristwatch in 18-carat gold. More affordably, there are tanks from Gucci, Maurice Lacroix, which offers designs for men and women in a curved shape that fits the wrist perfectly, and Oris, which has created a handsome model in gold, steel, and gold plate to mark its 90th birthday.

Metal colours are also changing. There has been an increase in the number of watches made in white materials such as steel, white gold and, even the expensive and notoriously difficult to work, platinum. Omega has a limited edition of 50 beautiful platinum watches to mark the 25th anniversary of man's first step on the moon. Baume & Mercier offers the Hampton, which has a curved, polished, stainless

steel case and matching bracelet. Zenith sells a range of steel chronographs which are modestly priced but good looking.

However, for all the purity of white metals, it would be a mistake to believe there is no colour around. Coloured faces – particularly a certain shade of Royal blue – abound and add an individuality to any watch.

Coloured straps are also in abundance – reflecting the trend for buying an assortment of straps with a watch. Breitling, makers of pilot watches, is offering colours that must have found their inspiration in a sweet shop.

The most colourful watches are, of course, the cheap, fun throwaway ones. Swatch, which can be credited with persuading people to have a wardrobe of watches, still dominates. The new collection includes pop-outs, scuba – for

underwater sports, stopwatch and an alarm to wake you up with a jolly tune. A brand to watch is Mondaine, which offers many fun designs including the award-winning Swiss Railway clock watch, the brightly-coloured M-Watch and an interesting little number based on a yoghurt pot.

Sport continues to assert the same directional influence on watches as it has on fashion.

"Cultural and social changes such as increased leisure time and emphasis on looking sporty and dynamic have contributed to an explosion in sales," says Duckworth. He introduced Tag Heuer to Britain a decade ago and can boast a seven-fold increase in turnover. He says people are spending more on sports watches and has introduced a new 18-carat gold addition to the 6000 range. Also, more women, according to Duck-

worth, are buying sports watches and he has a new automatic which manages to look both sporty and smart.

Adidas, known for its sports equipment, has launched a range of timepieces including functional and rugged models designed for tough sports, classic chronographs, water-resistant to 200 metres, and a set of inexpensive sporty leisure watches.

Sector, which specialises in watches that perform well in extreme weather conditions, has the new Underlab STE, which boasts an extremely strong steel/fibre glass case and is available in four versions including two chronographs. Ebel offers the same Sportwave Chronograph: robust and functional, and times performances on three registers to a tenth of a second, gives intermediary times, has a tachymeter and is available on

either bracelet or leather strap.

Even Dunhill, that most sedate of companies, known more for its period watches, has shaped-up with the Londonium, which, although designed to be worn at all times, has a particularly sporty appearance and is available in four sizes in steel, steel combination and 18-carat gold.

Finally, if you are looking for something completely different, why not invest in the latest trend – erotic watches. Hublot, better known for discreet little timepieces is emanating illustrations of the Karma Sutra on its watches, while Blancpain, that outwardly most understated of watchmakers, has a range that features couples (all proclivities catered for) copulating with all moving parts (literally). The designs are so explicit that I am told the watches might soon be banned.

■ John Morgan is associate editor of GQ Magazine

Last autumn Patek Philippe, a leading Swiss watch house, issued a collectors' watch on classic lines. The watch was to celebrate the 150th anniversary of the appointment of Garrard's, of London, as crown jewellers and was available only through Garrard's.

It was limited to 150 pieces in rose gold with a rose gold dial and the glazed back revealing the self-winding movement with engraved pivoted rotor weight.

Priced at just under £8,000, it sold out in under two months, providing confirmation, if any were needed, of the health of the retail wristwatch market, especially for watches with collector appeal.

Serious collecting of wristwatches is still a comparatively new phenomenon. A little history puts this in context. Having started out in the mid-1800s as women's bangles, with a timepiece concealed behind a hinged cover, wristwatches were originally considered effeminate. But during the first world war, the prejudice was overcome by the convenience of wearing a watch on the wrist, rather than carrying it in a pocket.

The spread of the car sealed the popularity of wristwatches for men and there was even a model developed – the Driver's watch – that curved to fit the wrist so that time could be read with both hands on the steering wheel.

Initially, most people owned just one watch, acquired at some significant moment such as a 21st birthday, and it was the best that could be afforded. Of course it had to be Swiss.

When the quartz watch arrived in 1975 it was dismissed by the Swiss watch houses as beneath them.

Cheap quartz watches, made in vast quantities, especially in Hong Kong, Taiwan and South Korea, soon grabbed a sizeable slice of the world market and the Swiss watch industry was heading into crisis. It is said that 60 per cent of the Swiss watch labour force was laid off for good.

But the very cheapness and impersonal, mass-produced nature of these early quartz watches – mostly digital – bred a reaction in the buying public. By 1980, analogue dials with conventional faces and rotating hands were again heavily in demand.

Although a ready source of traditional watches was found in the rapidly expanding secondhand market, the Swiss watch houses responded by going either down or upmarket.

Marques such as A. Lange & Söhne, Vacheron & Constantin, and Patek Philippe have embraced quartz in order to produce a reasonably cheap analogue watch. Others, such

as the big five – Patek Philippe, Rolex, Vacheron Constantin, Audemars Piguet, Jaeger-LeCoultre and IWC – stayed upmarket. They also dug into their history and put back into production some more complicated classic models that had started to command high prices in the secondhand auction market.

There are still two markets and retail sales have remained remarkably buoyant.

The focus is on highly complicated pieces such as perpetual calendars allowing for leap years and minute repeating actions. These are long in the making and cannot keep up with demand. At the Basel fair this month there was great interest in new models from retailers encouraged by sales increases.

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taste of 10 years ago. There can be resistance to "used" property in Moslem communities.

The Japanese are famous for shopping around before buying. Their view is long-term – and speculation in a "watch market" seems a western preoccupation.

The inclusion of one of the Garrard's/Patek watches in a London sale will soon show whether there are still occasional quick profits to be made, now that on-sale premiums for rarer Rolex models, such as Daytonas, have all but gone. The pre-sale estimate of up to £6,000 may prove encouragingly conservative, considering that the previous Patek special limited edition watch, the Officer of 1989, repeatedly sells at way over its original offer price, and more than 2,000 of them were issued.

Collectors' items

Richard Garnier on the rebound of the wristwatch

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CLOCKS, WATCHES AND JEWELLERY SURVEY

Clocks begin to tick

Demand is rising and bargains getting fewer, says Antony Thorncroft

The past year or so has seen time hang heavily on the auction trade in clocks; move more briskly for some watches; and positively buzz along for jewels. But there are signs that the era of low, indeed bargain, prices for higher quality antique clocks in the saleroom might be about to pass.

Demand has been brisker at recent auctions, and this should tempt on to the market some of the good clocks which have been waiting for the higher prices to return.

Many people like the idea of owning an antique clock, an impressive 18th century longcase ticking away in their hall, but are deterred by their ignorance and fears about the condition and conservation of such mature specimens. They need not worry. At its last auction, Sotheby's offered 41 longcase clocks dating from the 1720s to 1900 and sold all

but one at prices ranging from £200 to £10,000.

A decent Georgian clock can be acquired in the saleroom for under £2,000. A restorer might charge £350 to put the mechanism in working order and repairs might also be needed to the case. But, for less than £3,500, you can have an attractive working antique.

Of course the big names – Tompions, Knibbs, Grahams and Delander – cost much more. Any serious – and rich – collector of antiques should have a clock by the father of British clockmaking, Thomas Tompion, on their buying list.

His appeal is international. Working in the late 17th and early 18th centuries he commands a premium over all other makers.

In 1989, a rare blonde wood Tompion sold for £280,000. This was at the peak of the antiques market but even in the down-drums of last June Christie's offered some Tompions and

they all made good prices, with a tiny, 6½in high, silver mounted ebony bracket clock, probably made for King William III, selling for £441,500, and a table clock for £38,500.

Since then, no important clock has appeared at auction, and the sluggish demand of recent years has made a simple clock by Tompion (almost) affordable.

No Tompions are on offer at the important June auctions in London, but a top dealer such as R A Lee (now part of Aspreys) could probably supply one for less than £100,000 and a routine bracket clock by Tompion might be acquired for as little as £40,000. Prices are low mainly because dealers have run down their stocks and are unwilling to start buying again – yet.

French, English and American mantel clocks, the more unusually decorative the better. Here prices have edged up in the past year or so, but an excellent example should cost less than £4,000.

There are many people who just cannot cope with the antique, with the problems of maintenance. They want the finest craftsmanship, but they want it to be contemporary.

There is at least one British clockmaker still working in the traditional way, with virtually every component made in house. Sinclair Harding, of Cheltenham, makes no more than 20 clocks a year and, at the Balmoral Fair introduced a new model, a skeleton sun and moon clock, plated in gold and priced at around £2,000.

Watches have become the great fashion accessory, a palpable sign of wealth and taste. They are now traded regularly in the salerooms, a service to sellers who want to cash in expensive watches that might seem, to them, dated; or they might have been given a newer model. You can acquire a recent Breguet, Rolex, Cartier, Audemars Piguet or Patek Philippe watch for perhaps half its retail value. An older watch

would be even cheaper.

A good solid pocket watch, a hunter, made in the late 18th century by the celebrated Charles Frodsham, can still be bought for less than £4,000, and will prove a reliable friend and an agreeable heirloom.

In the past year, jewels have become second only to Impressionist and modern art as a money spinner for Sotheby's and Christie's. In 1993 Sotheby's brought in \$475m from jewels sales and Christie's \$358m. In 1970 jewels were an insignificant sector.

The great majority of the trade is in stones, mainly diamonds, with a few rich dealers, especially the Saudi Arabian Sheikh Ahmed Fazlai, buying the most expensive stones, including the \$11.8m he paid for a 100-carat diamond at Sotheby's in November.

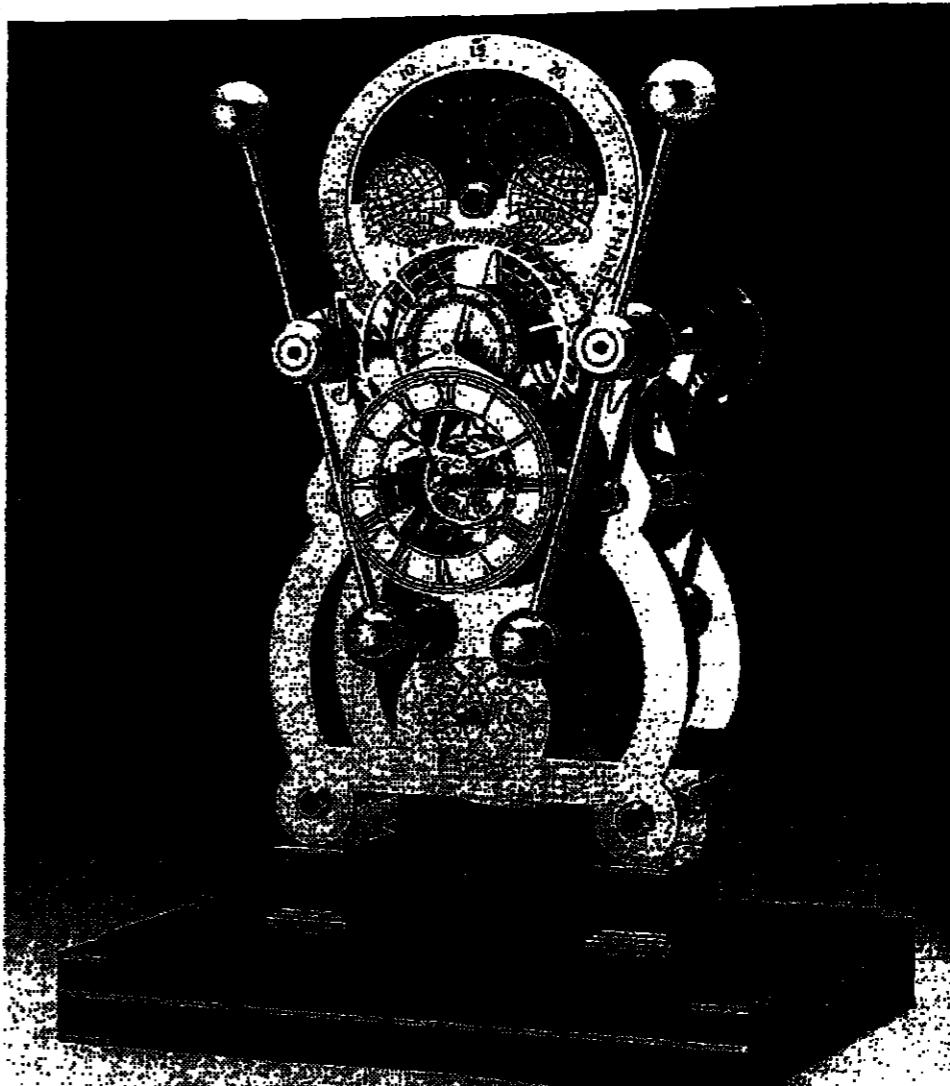
Most of the buyers are Arabs, followed by Chinese and Latin Americans, and there is an undoubtedly investment element behind the competition of the last two years.

But high prices for stones has a knock-on effect on jewellery. Salerooms have done their best to promote their involvement, stressing that as well as glitzy events at Geneva and St Moritz they also hold auctions, such as the evening "Colonnade" events at Sotheby's, the sales at Christie's South Kensington, Phillips and Bonhams, where lots usually sell for £2,000 or less.

More private buyers are daring to take on the dealers in the salerooms and are acquiring jewellery, from 19th century to contemporary, at modest expense.

Although the auction houses offer clocks, watches and jewels at wholesale prices many people still prefer to collect with a dealer holding their hand. Good dealers are keen to offer impartial advice; they guarantee the authenticity and condition of the goods, which is so important with antique clocks; and they will often agree to buy them back.

A specialist clock dealer, such as Anthony Woodburn, of Tunbridge Wells, Kent, also often has its own sources of supply, and can offer a year-round service.



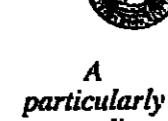
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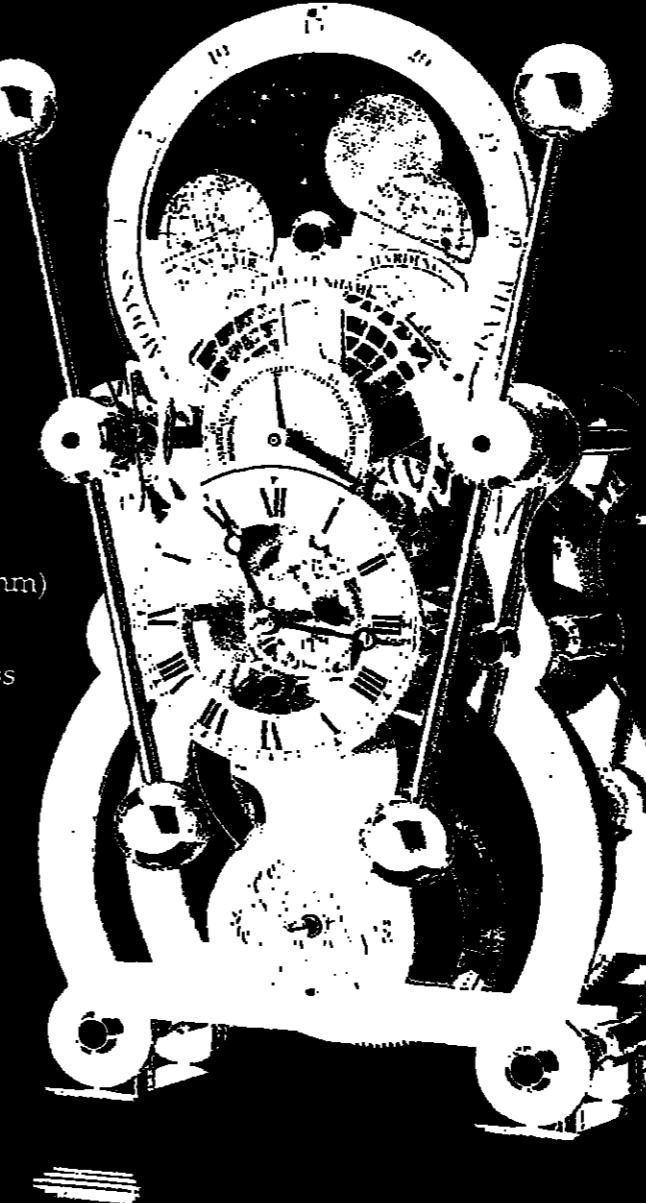
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Don't miss our forthcoming sales of watches and clocks or fine jewellery.

If you're thinking of buying, the dates to remember are:

Friday 3rd June.

A sale of Good Clocks, Watches and Wristwatches.

Thursday 23rd June.

A sale of Fine Jewels and Jewels for the Collector.

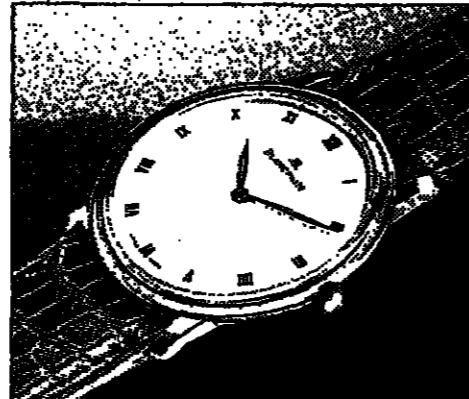
If on the other hand you are thinking of selling, there is still time to enter our October clock and watches sale. We are particularly interested in Patek-Philippe, Cartier, Rolex, Audemars Piguet and Vacheron Constantin.

Our next jewellery sale is a Colomina sale in July, and entries for this can be accepted up to mid-May.

For further information on buying or selling at these sales, please contact Tina Millar (Wristwatches) on 071 408 5528, Michael Turner (Clocks) on 071 408 5529, Alexandra Rhodes (Fine Jewels) on 071 408 5311 or Daniela Mavcetti (Colomina Jewellery) on 071 408 5528.

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CLOCKS, WATCHES AND JEWELLERY SURVEY

Since time began, the point of jewellery has been swank and status. After all, who really needs a bit of carbon, even if it is absolutely pure and extraordinarily rare?

I know... it is often quite exquisitely made and sometimes the skill and craft is so dazzling that only a museum exhibition all its own will do it justice. But the art is never the real point. It is almost never the chief impulse behind the making and the buying.

Now you might have thought that during the recession, few would have had much inclination, let alone the cash, to indulge in things so fundamentally unnecessary. You would be wrong.

Over at de Beers they are quietly pleased. The last 18 months have been good to diamonds. There have been a few awkward moments when supply vastly outstripped demand and the dreaded quota system (which restricts the number of diamonds that de Beers' Central Selling Organisation agrees to buy from suppliers) had to be brought into play. But recently the performance of diamonds at auction has outperformed all the financial indices (let alone sales of Impressionists and Old Masters) by a wide margin.

At auction, prices in the flawless D stone category have moved from \$28,500 per carat to about \$42,000 a carat. Lawrence Graff, who deals almost exclusively in the largest, flawless, most rare, stones (which means that his customers are almost exclusively foreign) has recently bought back for \$360,000 a five-carat blue diamond that he sold 15 years earlier for \$50,000 a carat.

Last November, in a Sotheby's Geneva sale, a flawless rectangular cut diamond of 100.38 carats earned the soubriquet of the most expensive jewel ever sold, when an anonymous buyer parted with \$2,028,603 to own it.

All this leads experienced watchers to conclude (as if we did not know it) that we live in turbulent times. Sales of stones are far more closely linked to the needs of the rich to have their wealth in a tiny, portable, instantly-accessible form, than it is to the mysterious movements of the romantic heart.

Buyers of these huge investment pieces are supplied mainly by three areas - Saudi Arabia and the Gulf States, Hong Kong, Singapore and Taiwan and Italy - all of which have problems of a sort and many of whose inhabitants would like, if they could, to be able to move themselves and their wealth about at the drop of an invasion or an unsympathetic bit of legislation.

These are the buyers who keep up the prices for the purest, finest, biggest gems. As always the motto is that if it is investment and resale value you are want, invest in the best you can afford.

We have only to think of the Romanoffs, the German Jews, the Emir of Kuwait (who packed much of his considerable wealth into a rucksack), to realise that exile with millions in one's overnight case is an infinitely more agreeable prospect than exile with all one's assets left behind.

But while these sort of purchases fuel the headlines and provide a background of glamour and intrigue, it is the humble buyers of more day-to-day jewellery who keep the jewelers in business.

All through the recession the business of living has gone on - deals may have been thin on the ground but truths have been pledged, anniversaries celebrated, babies ushered into the world and important milestones reached. Jewels to celebrate these events provide the bread and butter of the jewellers' business. So even in 1992 the last year for which figures



Designs of white gold and apophyllite crystal set with 22 baguette cut diamonds, in all weighing 5.7 carats.

Designed by Jo B Dizon of the Philippines and one of the winners of this year's De Beers International Awards.

A token of love, a sign of trouble

Lucia van der Post takes a close look at diamonds

are available), when the recession had barely begun to recede, 600 different diamond pieces, worth an average of just under \$750, were bought worldwide.

Take engagement rings - so strong is the custom that in the English-speaking western world more than 70 brides in every 100 are given a diamond engagement ring.

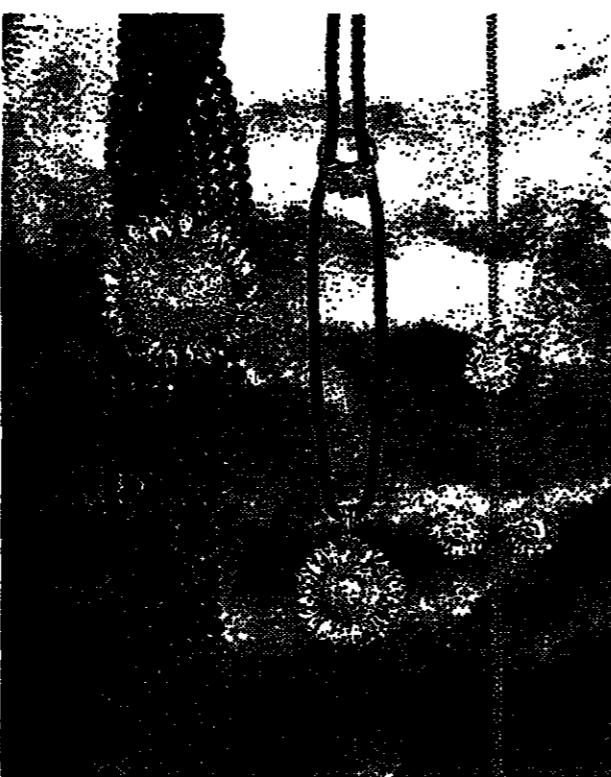
Standards of design have risen enormously - it is fashionable these days to bash big corporations but it is hard to over-estimate the influence that de Beers' annual international awards have had on diamond jewellery worldwide.

This year's collection of award-winners displays an astonishing range of different techniques, styles and settings. For techniques take the flexible bangle designed by Jennifer Biagi and made by Matthew Cambry which is the winner of the UK section; for styles, compare the romantic, almost old-fashioned diamond and platinum brooch designed by Yuko Nakajima of Japan with the chunky necklace of white gold and apophyllite crystal and diamonds designed by Jo B Dizon of the Philippines.

Nobody, after looking at the dazzling collection (which they will be able to do at Christie's, 8 King Street, London SW1 from May 5-13) could possibly doubt that the diamond business is moribund.

But jewellers report that while buyers are still there (and indeed never went away) these days they are infinitely more knowledgeable and twice as cautious.

At Asprey of Bond Street, for instance, a boutique collection



Some of The Asprey Sunflower Collection: prices start at £345 for a ring, earrings start at £550

was launched for the first time. A boutique collection is a fancy name for a lower-priced range which its devisers hope will attract not just the eye of a love-lorn suitor but also the hard-earned cash of the successful career girl who buys for herself. The Sunflower collection has been a huge success - partly, it seems, because there are pieces, such as a pair of ear-rings, that cost as little as £350, and partly due to the

interest generated by offering a large new, accessibly-priced range of designs.

Jewellers everywhere report that although the business is there, they have to work harder to get it, that people are more selective and have to be persuaded that they are buying real value. However small the purchase, customers like to know that it is a real carat or proper gold.

At Boodle & Dunthorpe, a jewellery chain that started with shops in Liverpool and Manchester and now has two London stores (one in Knightsbridge and one in Bond Street) they generate interest with exhibitions, with designer promotions and by taking care to offer pieces that, however inexpensive, have something of quality about them.

Tastes have changed - there seems a greater fondness for the more discreet look of platinum, for burnished rather than yellow gold, for simpler pieces that can be worn through the day as well as by night. Stores such as Tiffany, which always have wearable pieces that career girls can buy for themselves and wear from the school-round in the morning, through the boardroom meeting and on to the opera or to dinner, have done steady business all through the recession.

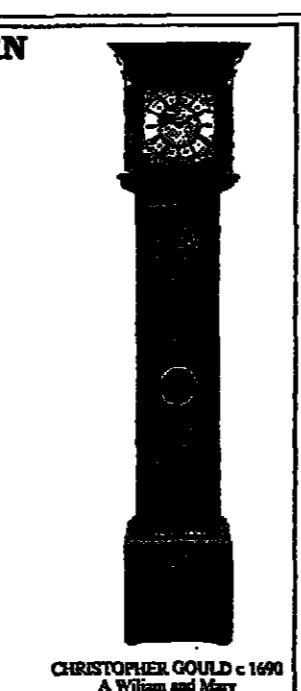
A small, but important, sub-market has risen around the popularity of body-piercing with the international young, and diamond studs continue to be among the most popular of jewellery buys.

As always, whether it be restaurants or holidays, cosmetics or jewels, the message seems to be - offer value for money, work hard and listen carefully to the customer, and even in the direst of times, there is business to be done.

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Little pieces of old magic

Vivienne Becker considers the continuing allure of antique jewellery

When it comes to buying diamonds and gemstones, investment value and quality are what buyers seem to look for. But when it comes to antique jewellery different considerations come into play.

Jewellery as pure ornament, jewellery for art's sake, seems to be making a comeback. Strong design that reeks of its era, of all periods and styles, fine craftsmanship, inventive use of luxurious materials, and above all, charm are what canny connoisseurs of antique and period jewellery are searching for; and they are prepared to pay handsomely for these ingredients when they find them. The relentless hunt for quality is more than ever the central theme of the antique and period jewellery market.

Last year was a turning point for fine jewellery at auction. Jewellery appears to have been largely recession-proof, certainly at auction. The problem in the trade has been one of acute shortage of the right goods to appeal to an increasingly discerning clientele. Last year saw a growth spurt, with an influx of fresh goods on the market, all culminating in the well-publicised shattering of world records for diamonds and diamond jewels at the Geneva sales last autumn.

This year looks set to be the year of the jewel rather than the gem, with more emphasis than ever on design, provenance and romance. In fashion terms, jewels of wit and whimsy are taking the place of flamboyant, flashy adornments. Jewellery wearers want individual, meaningful, beautifully made jewels that are reminiscent of their original, magical roles.

The forthcoming Geneva sales point in this direction. The chart-toppers this spring are period pieces rather than rocks. Sotheby's is selling a ravishing high-society collection of Duchess of Windsor look-alike jewels that belonged to Helene Beaufort, the 1930s Riviera raver, masses of superb Van Cleef & Arpels rippling with ribbons of sapphires,

emeralds, rubies and diamonds; while Christie's concentrates on classical jewels from a European Royal family.

Philippe parades a star sapphire, enamel and diamond parure reckoned at a generous \$20,000 to \$30,000 made a staggering £46,200.

It is a trend that is permeating all levels of the market, from the top to the middle range of collectable, wearable decorative accessories, where, for example, 19th and 20th century jet and amber jewels, long rows of soft-toned beads, antique crosses, all totally *à la mode* are being snapped up by fashion followers.

In the realm of the true collector's item, selectivity rules. Only the best and the rarest will do, and preferably with an impeccable background, collectors would rather bide their time, saving their money for the big one.

At Bonhams at the end of last year, prices for jewels by Victorian art-jeweller, Carlo Giuliano went through the roof, as hungry buyers, chas-

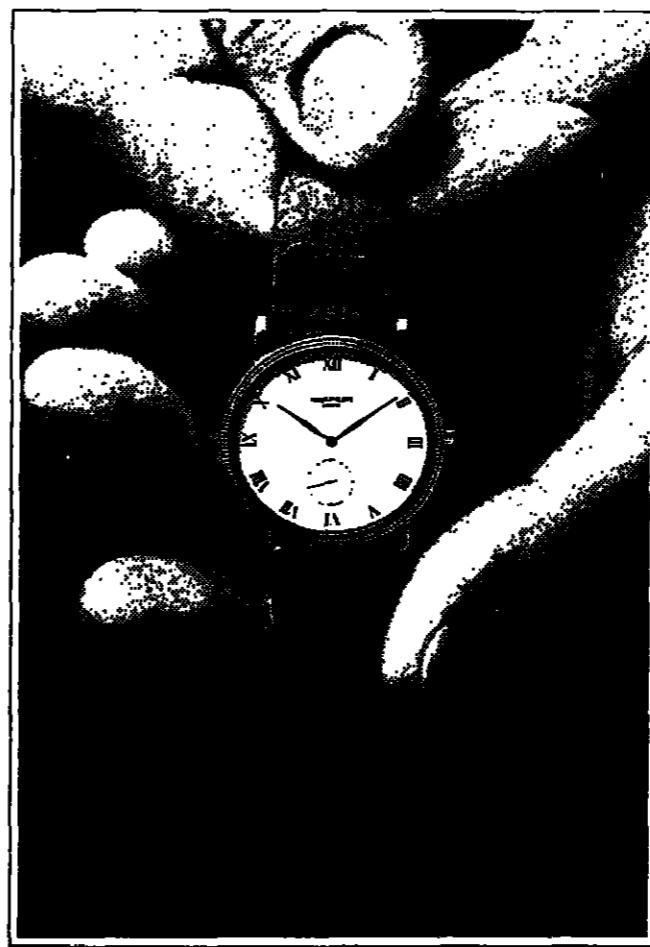
ing fresh goods with an unimpeachable lineage, paid more than twice the generous estimates for purest Giuliano style: a star sapphire, enamel and diamond parure reckoned at a generous \$20,000 to \$30,000 made a staggering £46,200.

Although a name alone is not quite enough these days, a jewel has to stand up for itself. Customers are still generally prepared to pay a premium for a good signed piece. Cartier is still the magical name, synonymous with a lost and longed-for era of gracious, glamorous living. Van Cleef & Arpels packs a pretty good punch too, each jewel a blissful package of superb gemstones and haughty high-fashion.

Boucheron, Chaumet and the grand jewel houses are also seen as evocative seals of quality and style, although slightly less well-known names are creeping up, particularly La Cloche and Osteretz of Paris, both known for 1920s and 1930s rich, orientalist opulence; Maun-

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ARTS

The bizarre appeal of 'Princess Babs'

Everything is odd, different, alarming, slightly bizarre at a Barbra Streisand concert. It is odd that the singer has the hair of an Afghan bound and the face of a bazaar; it is different that the audience manages to move its collective body slowly in time to music without a suspicion of rhythm; it is alarming that the workmanlike bars of Wembley Arena are selling champagne and smoked salmon while the merchandising stalls offer gold stamps (whatever they might be) for £60 and crystal paperweights for £40; and it is bizarre that my seat cost £250.

That is the ultimate question: is she worth it? For much of the time you feel that she should be paying you to listen to her life story. Streisand has spent a fortune on shrinks who fulfill exactly the same role as an audience. This enables her to say very puzzling things like "it cost me millions to be able to sing this song but it was worth it" before slipping into "On a clear day", not many people's idea of a spiritual challenge. Is any song worth that, you wonder? Aren't you glad you can take it or leave it?

Shrinks are not just throw-away jokes. They are a major part of the act. Streisand and talks to them, and they ask pre-recorded questions on tape in that bored, non-committal, paternal way that psychiatrists adopt. They are important players in what is basically a two hour dissection

of the Streisand life, from Brooklyn baby to committed millionaire.

With this amount of investment in self-awareness you can choose your own personality and Streisand seems to have settled for "Jewish Princess". In a striking opening image to the show she steps on to a balcony (which leads down to a vast drawing room, all white drapes and busts of Shakespeare, the kind of set favoured by Liberace in his more louche phase), and stands drowning in

Antony Thornicroft asks the ultimate question: is Streisand worth it?

applause, like a Royal in the days of defen-

ce. In her chat she refers to meeting Prince Charles (and, yes, there are sharing a cup of tea in one of the many film clips that flesh out the evening) and she confesses that only commitment to work prevented her from charming him into courtship. "Can you imagine it? Princess Babs, the first Jewish princess".

We don't have to imagine; it is there before us. Watching Barbra Streisand exercises the same kind of morbid fascination as when you come across a Royal going about their business. It is a mix of

total confidence in her own fascination, combined with an uncanny lack of confidence in her performance. She cannot appear on stage without suspended idiot cards giving the words to songs she has sung a thousand times spelling out the jerky dialogue, written with all the imagination of a diplomatic communiqué. She shares our wonder, and admiration, that this ugly fucking has become the highest paid entertainer in the world.

As for the actual show: on the credit side the Streisand voice is surprisingly good, and she hits the top notes like a sledge hammer. But she puts little feeling into some of the most beautiful ballads of all time ("Lover man", "Can't help loving that man of mine") and for a Broadway legend she is low on energy and there are few up-tempo smashers to raise the joint. The lighting was unsatisfactory and the band not totally happy until the cumbersome set disappeared in the second half.

Can it be worth £250? Oddly enough

there is such a sense of occasion, a feeling that you are part of an important ritual, that few will have been disappointed. Perhaps it is because you feel that Streisand needs us more than we need her. As she sings "now I'm standing centre stage I've come home at last" you agree that for all the money and time spent on therapy, on love affairs, on political aspirations, Streisand only really believes in herself when the audience claps itself into hysteria.

Drama from bestsellers

Andrew St George has mixed feelings about two current adaptations

First Dickens and George Eliot, now John Steinbeck and Fyodor Dostoevsky are rushing to the stage. All are strong writers with a definite view and a fixed viewpoint; this makes them easy to film but hard to stage. Now in London there are two examples of adaptation: *The Grapes of Wrath* at the Shaw Theatre and *Crime & Punishment* at the Battersea Arts Centre.

John Steinbeck (1902-68) was not above a little punishment. He once dangled a recalcitrant girlfriend by her ankles out of a top floor window. The writing, like the life, was direct and uncompromising. His best, *The Grapes of Wrath* (1939) scooped the Pulitzer Prize and the John Ford film treatment.

Given that Steinbeck's American epic splashes the primary colours of American literature over a canvas 2,000 miles long, the 7:34 Theatre Company's production at the Shaw Theatre does well to render the story without losing its sprawling quality. This is the ultimate road book, following the Joad family west on Route 66 from the prairies of Oklahoma to the fruit valleys of California. En route, the family faces death, hunger, unemployment and humiliation. Some travellers break off, others stick with it; there are funerals, floods and famine. The large Shaw stage is throughout filled with the hopeful family, but clears for the closing scene of a childless woman breastfeeding a starving man.

The adaptation scores with the set, like the inside of an orange crate, the light seeping through from the back, and an understage stream (for the excellent flood scene); the Joa's car is a sensible trolley with headlights and a radiator, and all the other scenery is light and shadow. The acting – particularly Paul R. Meade as Tom Joad and Tom McGovern



Philip Brook and Jane Louise Amfield in 'Crime and Punishment'

along, but they rarely step over the divide between literature and theatre.

Iain Reekie's direction finds Steinbeck's strengths: the moral shoot-out, the loss of self-belief, the search for friendship; but they are too loudly treated. The play lacks quiet, powerful moments.

"Most people", wrote Steinbeck in his unpublished 1933 Journal, "do not like themselves at all, do not even know themselves well enough to form a true liking."

Enter Dostoevsky (1821-81) who has self-tormenting hero Raskolnikov at the Battersea Arts Centre. This production, by Rod Shift, amounts to the hi-volume cartoon version of the 1866 Russian classic. It works by selecting rather than including, so swathes of the novel are rightly unrepresented, but at the expense of Dostoevsky's impact. This is the play of the detective novel inside *Crime & Punishment*.

Jonathan Holloway's adaptation is subtitled *The Killer's Story*; it lasts 135 minutes and keeps the action to four characters: Raskolnikov, Razumikhin his friend, Sonya his lover and Porfiry his nemesis. Gone are the Marmeladovs, but purists will be happy to know the scene where Marmeladov is crushed to death finds a place. Other parts are played in latex masks, and the action concentrates on the duel between Porfiry and Raskolnikov: "a murder is incomplete without detection, a murderer incomplete without punishment."

The finest scene is a dream sequence of Raskolnikov murdering the old woman and her sister, darting into the flat, stealing her pearls, avoiding detection. The scene plays backwards and then forwards to nervy and nagging music. The cast (particularly Tristan Sharpe as Porfiry and Philip Brook as Raskolnikov) deliver with point and verve, and Holloway's direction keeps the action scuttling around with walls and doors on plinths.

But this touring show has none of the quiet, dark horror of *Crime & Punishment*; it lacks the calm concentration essential to the story. Red Shift has produced a good introduction to its fine brand of innovative theatre, but not to Dostoevsky.

The Grapes of Wrath: Shaw Theatre (071 388 1394) until 30 April; *Crime & Punishment*: Battersea Arts Centre (071 223 2222) until 14 May. Both then go on tour.



By the millennium the new Bankside gallery will house the likes of the Tate's 'Draped Nude' by Henri Matisse, above

Museum for our time

So Bankside it is. Last Thursday the rumour of recent weeks was confirmed, that after months of agonising the Tate's Trustees had opted for Sir Giles Gilbert Scott's monumental power house on the Southwark side of the river, opposite Saint Paul's, and that London was last to get its long-awaited, much-needed Gallery of Modern Art. Long-awaited indeed, for the possibility was mooted the moment the Tate immediately out-grew its extension of the mid-1970s. But much-needed?

The answer has to be a resounding Yes – that is if we accept the need for national museums of any kind. And the reasons are of principle rather than circumstance. There are, of course, countless justifications of opportunity – the inaugural press-conference rang with them – from the incidental conservation of a great building, the creation of jobs within the local community and the regeneration of the locality, to the encouragement of investment in the City, the stimulation of international cultural tourism and the great exhibitions that might at last come to London. As it is, the Tate Gallery and its satellites at Liverpool and St Ives already attract some 2.5 million visitors a year, and the new gallery would expect to achieve nearly 2 million a year on its own account within five years of its opening in the year 2000.

Such arguments are perhaps the more immediately persuasive, certainly to ministers and councillors, sponsors and administrators. Enabling practicalities, spin-offs and pay-offs are not to be sniffed at. But all this is secondary: the first and only reason why we need a museum of modern art at all is because art is always at all times and all true art is modern art in its time.

We would betray ourselves if

we had not the confidence to

activity, however, it has always been necessary to acquire far more than could ever be shown at once.

If that created a problem just with British art in the 20th century, by how much more was it increased as the collections were extended into international fields. The

process was slow at first, and

As the Tate expands into Bankside, William Packer applauds the principle but wonders where it will all end

proper place. The Tate at Millbank will be free once more to present the British School in its historic development, from the earliest to the latest moment. What actual policies will emerge, and whether they will be generously catholic or conventionally avant-garde, remain to be seen, but such caveats in no way moderate the splendid opportunities that now present themselves.

But time runs on, and art won't stop. The question remains hanging in the air: will our descendants of the mid-2090s be looking at yet another redundant edifice – Canary Wharf perhaps, or Terminal 4 – as a home for our national collections of the art of the 21st century, with all their special needs of jiggery and pokery and, above all, space? And will they be as excited, as we are at the prospect of Banksy? We shall see.

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BOOKS

Into the vortex of this perilous abyss

As *Lloyd's Names* count their losses, Richard Lapper considers the historical roots of the recent crisis

The difficulty in writing now about Lloyd's of London is that the final chapters of the insurance market current crisis, the worst in its 300 year history, have still to be played out. Yet *Ultimate Risk* by Adam Raphael is a clear and entertaining history which helps explain the depth of the market's problems.

Raphael, a loss-making Name himself, is properly critical of the past incompetence and inefficiency of many of the market's underwriters and agents, and of the regulatory weakness of Lloyd's council itself. But this is a balanced account, mercifully free of the conspiracy theories which have bedevilled some recent analyses. Indeed, Raphael writes: "What is remarkable in a market driven by money, where opportunity for dishonesty is rampant, not the surfacing of the odd fraud and the odd failure, but how infrequent they were."

Historical detail also helps put

the current crisis into perspective. Certainly shattering losses are nothing new for Lloyd's. For example, after a British merchant convoy was sunk off St Vincent in August 1780, half the market's underwriters went into bankruptcy. A commentary by John Westcott, a market veteran of the time, could serve equally well to describe the situation two centuries later: "We see not a few instances even of tradesmen, shopkeepers, etc, lured by the golden, but destructive bait of Premiums, especially in time of war, drawn like Gudgeons into the Vortex of this perilous Abyss, Insurance."

Early losses paved the way for the consolidation and modernisation

of the market. In the same way the Lloyd's scandals of the 1970s and early 1980s, the Savonia, Sassis and PCW affairs, underlined the inadequacy of the market's regulatory framework, and provided the impulse for the reforms of 1982 and 1987.

This modification of self-regulation proved inadequate. Lloyd's was impotent to control the mistakes and failures which led to the rapid growth of highly speculative reinsurance business during the 1980s, to which thousands of Names "mostly of middling wealth" were attracted. Syndicates managed by agencies such as Gooda Walker and Feltman were swamped when the market was hit

by catastrophes like Piper Alpha - the North Sea oil rig explosion - in 1988 and hurricane Hugo - in the Caribbean - in 1989. Nor were the reforms sufficient to help Lloyd's cope with the unexpected and rapid

ULTIMATE RISK
Adam Raphael
Bantam Press £16.99, 336 pages

increase in insurance claims from pollution and asbestos-related diseases.

The scale and severity of these recent losses has prompted a new period of reform. Raphael says of the arrival in 1992 of an interventionist chairman, David Rowland,

and an unconventional chief executive, Peter Middleton, - a motor cycle riding former monk and diplomat - "signalled a new era". Inevitably the latter chapters of the book - in which the record of the new regime is assessed - suffers from the fact that the events described are still unfolding. Already the market's loss for 1991, which Lloyd's will report next month, is now expected to exceed £2bn, for example.

Later this year Lloyd's should know whether it will be possible to set up NewCo, an ambitious new reinsurance company into which it will transfer billions of pounds in asbestos and pollution liabilities. Decisive developments could also

take place in the US as the Clinton administration grapples with the possible changes of superfund laws, which was at the root of the market's exposure to pollution claims.

Raphael acknowledges the importance of the new source of funds, but amid the clutter of day to day detail, these developments receive less reflective consideration than is warranted. For if the new regime is eventually successful in its efforts, the introduction last year of some \$800m in corporate capital will be seen as a significant achievement, marking a decisive break with past traditions and habits.

Raphael's account is inevitably sympathetic to the plight of the hundreds of investors whose lives

have been ruined by their losses. Readers may quibble with the assertion that the fate of Names has evoked little sympathy in the press and that much recent comment has been motivated by *scheidenfreude* - the joy that comes from watching other people's misfortunes. But fewer will argue with the claim that a settlement with the loss-makers is a necessary precondition for future recovery.

At the end, though, Raphael hedges his bets. "Lloyd's will probably survive, albeit in a very different form," he says. "The biggest financial smash this century is a possibility that cannot be ruled out. Yet the market has professional skills, a world famous brand name and an institutional resilience which should not be underestimated. The charge sheet is long, the obstacles ahead daunting, the recent history shaming, but the last act has still to be played... The show ain't over until the fat lady sings."

Class, competition and killer instincts

A.C. Grayling on a history with a Freudian slant

Peter Gay is an historian on the grand scale. His natural form of expression is the magisterial multi-volume survey of the culture of an age, as in his prize-winning two-volume history of the Enlightenment, and his four-volume account of 19th-century middle-class culture, *The Bourgeois Experience, Victoria to Freud*.

Gay has of course written single-volume books, but he prefers a larger canvas. The reason is simple. All writers accumulate masses of material in the course of research. Most then select, as judiciously as they can; but some, loth to waste, invent a reason for including everything. Gay is a leader in this latter school. The result is fascinating but - because of the implausible unifying framework into which the great miscellany is crammed - tendentious.

This volume is the third of Gay's *Bourgeois Experience* series; the fourth is yet to come. Gay describes his project as an exploration of 19th-century middle-class culture based on the Freudian categories of sex and aggression, and in the first two volumes he discusses Victorian sexual attitudes and practices. In this volume he employs the notion of aggression as the key to explaining almost everything else.

The fact that the whole enterprise is based on the implausibilities of Freudian doctrine immediately puts one on guard. "My aim," Gay writes, "is to integrate psychoanalysis with history." The psychoanalytic scheme of human nature is, at bottom, simple: it is premised on the thesis that an infant sexually desires its parent of the oppo-

THE CULTIVATION OF HATRED: THE BOURGEOIS EXPERIENCE VICTORIA TO FREUD
by Peter Gay
Harper Collins £25, 684 pages

site sex, and is therefore hostile towards, because jealous of, its parent of the same sex; and that because neither the desire nor the hostility is acceptable, internal conflicts arise. Thus the wellspring of human nature in the gospel according to Freud; and thus in Gay's hands - the key to Victorian bourgeois culture.

In this volume, *The Cultivation of Hatred*, Gay invokes Freudian views on aggression to justify bringing together a wide range of subjects: social Darwinism; racism; concepts of manliness; debates about crime and punishment; developments

debate, dialectic, disagreement, competition, and negotiation; more, that progress - for example in science and education - is also generated by aggression, although this time "constructive aggression", since it flows from attempts to gain mastery over the world. So practically everything comes down to aggression as source and motive.

The problem with Gay's thesis is displayed by a characteristic claim. "It was a striking feature of 19th-century culture," he writes, "that influential justifications for aggression relied on what their partisans advertised as scientific proof. The alibi that conflict is necessary and desirable greatly benefited from such claims. Its apologists proudly asserted that the case for untrammeled competition, whether in the economic, the social, or the military domain, was susceptible of demonstration" (my italics). Here we slide from aggression to conflict to competition, as if they are the same thing; and we have "social competition" and "military competition" lumped together, as if the two kinds of competition are indistinguishable.

It is not merely that these generalisations are wildly too sweeping; it is that they embody a conceptual confusion: for not all conflict is aggressive, and not all competition involves conflict. If, however, one ignores the scaffolding of implausible theory, what remains is a marvellously enjoyable and informative history of 19th-century ideas. One discards the shell to eat a nut: follow this course here, for in all other respects this is a volume - a series - to have on one's bookshelves.

Fiction

Drawn to adventure

him because we begin to be persuaded that he is telling us the truth behind the headlines.

One of these days the play will tell his new one, *The Fist of God*, takes us closer to that moment. This is the Gulf War: the arms dealer Gerry Bull is murdered; the SAS is launched behind Iraqi lines. Freddie Forsyth's trick is to confuse fact with fiction. Thus, he starts with a ten-page biography of Bull which might have come out of the FT; he paints a professional picture of *Deliverance*. And then he cheats - he slips into his account a fictional element (in this case to do with the Supergun): that gives him his novelist's "plot".

It has become ever clearer over the years that Forsyth has no interest or skill in the essential talent of the novelist - that is, the drama of human relationships - and I rather hope that he, and Ian Deighton, will soon feel able to return to that we were right. That takes high skill.

Since then, Forsyth has produced bestselling "action". He has a formula. He takes a contemporary drama (*The Odessa File*, *The Dogs of War*, *The Fourth Protocol*) and he spins a tale to which he attempts to give credence with a semi-journalistic, authenticating detail. We buy

him because we begin to be persuaded that he is telling us the truth behind the headlines.

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Freddie Forsyth's trick is to

THE FIST OF GOD
by Frederick Forsyth
Bantam £15.99, 494 pages

TO THE WHITE SEA
by James Dickey
Simon & Schuster £14.99, 275 pages

KOLYMSKY HEIGHTS
by Lionel Davidson
Hemisphere £14.99, 448 pages

straight journalism. And I wonder what Paul Henderson will make of this latest distortion of the Matrix-Churchill view.

James Dickey is everything that Forsyth is not. He is a good American poet. He is not at all prolific. He writes a wonderful, taut, elegant prose and talks about physical action with a detail and sympathy that make it, yes, poetry.

His 1970 novel *Deliverance*, which spawned a good film told of a bunch of buddies whose up-state wilderness trip went badly wrong. To *The White Sea*, so many years later, is a brilliant and beautiful account of the fate of an American rear-gunner whose plane is brought down over Tokyo. In the closing days of the Japanese war as he flees for the far north, to the world of snow and mountain which are his natural homescape from his upbringing in Alaska.

It has both the assets and the weaknesses of the "man-alone" genre. Muldrow is the only figure in the book: everything happens through his narration, which inevitably becomes a limitation for Dickey because he allows himself no interrelationships, no other character, no wider context, in contrast with the achievement of *Deliverance*.

Nevertheless, Dickey's new novel deserves comparison with

Geoffrey Household's *Rogue Male*, and that is, obviously, my great compliment.

Lionel Davidson is also gifted and unprofitable. Many years ago he wrote brilliant adventure novels like *A Long Way to Shiloh* and *The Night of Wenceslas*. Then he slowed down. After a 12-year silence, *Kolymsky Heights* is just about worth the wait.

The scene is Siberia - in enormous detail - and a secret research station where all sorts of dastardly things are being attempted with the genetic breeding of apes. The Canadian-Indian hero Johnny Peter, who is fortunately a linguist, seems to have to be infiltrated into the permafrost.

The blurb foolishly quotes Forsyth in comparison. There is no need. Davidson has always been the superior. But, like so many of these adventure novels these days, *Kolymsky Heights* goes on too long. I cannot be alone in asking these writers to cut short their shuddering, extended climaxes. Go back to Haggard and Stevenson to see how it can be done, with a brief, brisk and very satisfying bang.

J.D.F. Jones

Ireland. *Fishing the Sloe-Black River*, his first collection of stories, shows a poetic and angry observer taking the well-worn path from Ireland to America. As with some of his compatriots, the cadences of Irish speech and expressions add natural poetry to the prose and these stories of exile and loss may possibly have been influenced by the work of Desmond Hogan.

McCann's dispossessed characters, working in mental hospitals, dying of AIDS, seeking long lost sisters, are informed by a literariness and myth. The souls of the dead of both sides of the conflict in Ireland turn into swans in Cathal's lake, one of the less successful stories, where an old farmer's rage and pity are patently the author's rather than his own. When McCann eschews magic realism a credible compassion illuminates the squalor, nastiness, brutality and beauty of modern life.

McCann is a young writer who has been hailed as part of the talented new wave coming out of

Building castles in the air

here are people, I am told, who cast themselves off cruise-ships or harm themselves with knives if they

hear the name Lisa St Aubin de Teran. For these folk, Lisa St Aubin de Teran is a literary tutti-frutti whose works, including seven novels, a collection of unsurpassed exoticism, pseudounity and fey-ness, has to be infiltrated into the permafrost.

Not me. I like exoticism. And I admire her work because it reminds me of high-quality chain-mail: vulnerable, seemingly, to the mace of brutal criticism yet beautifully crafted when examined close up.

A Valley in Italy is the story of one of her romantic obsessions: to discover, and rehabilitate, a castle or grand villa in which she could live. She had a mental picture of her ideal property which she had carried with her since schoolhood: a house so huge that she could move from empty room to empty room without disturbing anyone.

The only constant features in her dream image were a "pillared loggia, a stone arch, a terracotta balustrade and a line of sentinel cypresses." So far so mimy.

The business with the Villa Orsola - its Herculean reconstruction and the money it devours - will please anyone with a liking for homes and gardens on the grand scale; or anyone who loves Italy. When she got to grips with it, she discovered it was a ruin: no electricity, no water, no windows, no doors and a serious gap in the roof.

But the charm of *A Valley in Italy* - its subtlety and sensuousness; the skill with which the author evokes the quality of Umbrian village life - ought to win it a far wider readership than the mimy or ex-pat sets. She is extremely good on characters, not just important ones (the workmen, her children) but the walk-ons, such as *Regina*, the friendly yet powerfully-bicep'd proprietor of a village bar, who emerges, on being called, from a

wine cellar, muttering something to a chicken she is holding by its feet.

"When we asked for *cappuccino*, she looked momentarily nonplussed. After a few seconds of deliberation, she casually knocked the chicken against a petrol pump beside us, tucked it under her arm to still its shuddering death throes and made her way up some stone steps to the first floor. Ten minutes later, she re-emerged with... two cups of *cappuccino*".

The villagers all help her, even though the author had been warned that Umbrians were bandits and peasants who never salted their

A VALLEY IN ITALY
by Lisa St Aubin de Teran
Hamish Hamilton £15.99, 224 pages

food, couldn't cook, suffered from goitres, lived in huts and were prey to poverty, bears and wolves.

Would-be travel writers could study, with great profit, the coiled energy with which she communicates, in just a few sentences, the way that the nearby city of Gubbio impressed itself upon her.

For hours, until nightfall, she ran up and down Gubbio's hundreds of steps, growing ready with the wealth of sights, pictures, churches, frescoes. Finally, she leans against the cold stone of a balustrade and finds herself memorising the floor of the Piazza della Signoria "lying in herring-bone oblongs" at the feet of the view across the plains to the mountains beyond.

There should be more people in the world like Lisa St Aubin de Teran and fewer like - oh - Douglas Hurd (imagine him without shoes on, stooping to pick lilies). More exoticism. Greater oddness. Feyness now and then. This is a quietly splendid book.

Michael Thompson-Noel

A forestful of fantasies

fills him with a passion for forests by coupling with his bride in full view."

Then there is a long section devoted to Freud re-falling in love with his wife Martha in middle age, a period which provides the novelist with a forestful of sexual fantasies, embellishment and lies. Historic figures, including Jung, H.D. Thoreau and Helen Deutsch troop through the narrative and Pavlova dances past in a memory inspired by a dream of her padding, that confection of meringue and fruit which can so easily collapse into soggyness.

The text is interspersed with fictional hindsight and genuine case histories and a story "written" by Anna, in which she is married to her father. The final scene is touching as Freud, now a guilty ghost,

EATING PAVLOVA
by D.M. Thomas
Bloomsbury £15.99, 231 pages

UNDER THE VULCANIA
by Maureen Freely
Bloomsbury Paperback £4.99, 139 pages

FISHING THE SLOE-BLACK RIVER
by Colum McCann
Phoenix House £13.99, 184 pages

foresees Anna old and alone in the house where she lived on until 1982, and which is now the Freud Museum, but it is tempting to paraphrase another author's title into "Eating Pavlova is Wrong".

"What do women want?" asks the

Ireland. *Fishing the Sloe-Black River*, his first collection of stories, shows a poetic and angry observer taking the well-worn path from Ireland to America. As with some of his compatriots, the cadences of Irish speech and expressions add natural poetry to the prose and these stories of exile and loss may possibly have been influenced by the work of Desmond Hogan.

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Colum McCann is a young writer who has been hailed as part of the talented new wave coming out of

Shena Mackay



ARTS

Camus cult hits France

An unfinished novel has prompted a reappraisal of this author's work, writes Alice Rawsthorn

When the police trawled around the wreckage of the sports car in which Albert Camus met his death in 1960, they found his diary, a copy of *Othello*, a book by Nietzsche and the first draft of an autobiographical novel about his boyhood.

The manuscript was littered with crossed-out words, missing phrases and spelling mistakes and Camus's widow, fearful that it would damage the already diminished reputation of her husband, refused to release it. Last month this unfinished work was finally published, 34 years after the death of its author, and it has become an instant best-seller.

In the first fortnight alone, 125,000 copies of *Le Premier Homme* were sold and the publisher, Gallimard, is now rushing out a second edition. The forlorn face of Camus, with his Montgomery Clift looks and method actor poses, stares soulfully from the pages of the French press and from posters plastered across the bookshops.

"There's something of a Camus cult in France at the moment," says Antoine de Gaudemar, arts editor of Libération, the liberal-left daily. "He's always been popular with young readers. But it's only relatively recently that his work has been reassessed by the critics. The success of *Le Premier Homme* is incredible. We've never seen anything quite like it."

The excitement over the book is in stark contrast to the status accorded Albert Camus's work at the time of his death. By then, his literary fortunes were at their nadir. He had been lionised by the Paris intelligentsia when his first novel, *L'Étranger*, was published in the mid-1940s, but he soon fell foul of fellow existentialists Jean-Paul Sartre and Simone de Beauvoir, then the titans of the intellectual scene.



Albert Camus: his widow refused to release his final work. Now, 34 years after his death, it has become an unlikely best-seller

Their backgrounds were very different from that of Camus, the son of a working class family brought up in the slums of Algiers. The acid entries in de Beauvoir's biographies suggest that he was a little too *aristote* for her taste.

"I think Camus was going through a crisis caused by the feeling that his golden age was drawing to a close," she said, when describing him moulting out of a party after a row with Sartre. "His good luck had gone to his head. He thought there were no limits to what he could do." The final straw came when Camus refused to join their opposition to French colonial rule in North Africa, the critical issue for the fashionable French left in the late 1950s. He also drew unwelcome attention to the fascism that had followed in the wake of the French and Russian revolutions: the "Promethean" that degenerated into "Caesarism".

By then, Camus's work had also fallen from favour on the wider literary scene. His stark, moralistic approach was at odds with the more stylised, newly fashionable *nouveau roman* of Nathalie Sarraute and Alain Robbe-Grillet; even winning the 1957 Nobel Prize for literature was not enough to rehabilitate him.

"At the time of his death Camus was a real bête noire for the French left," says Florence Noiville, a journalist with *Le Monde*. "His work was also regarded poorly in academic circles. It looked as though he was finished." Throughout the 1960s and 1970s, Camus's literary stock remained low.

It was not until the 1980s that the tide began turning back in his favour when a number of French academics started to reappraise his work. Florence Noiville suspects that Camus's star rose again because of the political changes in the post-Cold War era. "The issues, like the Algerian War, that turned people against him in his lifetime, now seem a long way

off," she says. "And his old critics on the left have lost credibility."

Now it is his old foes, Sartre and de Beauvoir, who have fallen from grace. Antoine de Gaudemar is convinced that Camus's star rose again because of the political changes in the post-Cold War era. "The issues, like the Algerian War, that turned people against him in his lifetime, now seem a long way

off," she says. "And his old critics on the left have lost credibility." He also believes that Camus's ascetic style and unrelentingly pessimistic plots strike a chord with contemporary readers. "There's an ethical aspect to his writing that's very appealing," he says. "It's a style that's difficult to find elsewhere as so many modern French novelists are still locked in the *nouveau roman* mould."

The publication of *Le Premier Homme* has set the seal on Camus's newfound success. The book, which only runs to 144 pages and retains all the errors and omissions of the original manuscript, paints a poignant picture of his poverty-stricken childhood in Algiers. "It's a beautiful piece of writing," says Noiville, "if shows us a vivid, more

humane side of Camus that we haven't seen before."

Will foreign readers be as tolerant of the flaws and failings of *Le Premier Homme* as the author's new-found fans in France? The publishing industry seems to think so. Gallimard has received offers for the 16 different translations of Albert Camus's last, albeit incomplete work.

Beginnings are trickiest. I know because I have been staring at a blank computer screen for five minutes before tapping out "Beginnings are trickiest." And this is just a video column.

What of a book? A symphony? A feature film? How do you make that first scratch on the page/ scoresheet/script? The poet who wrote that April is the cruellest month must have had a premonition of this month's video releases. So many of them use that popular opening plot device: death or violent

accident. Krzysztof Kieslowski's *Three Colours Blue* (Artificial Eye) starts with a car crash which bereaves its heroine (Juliette Binoche) of her husband and child, awakening her to a new and frightening "liberty." Made in France, this is part one of the Polish director's *tricolore* trilogy, soon to be followed by *Equality and Fraternity*.

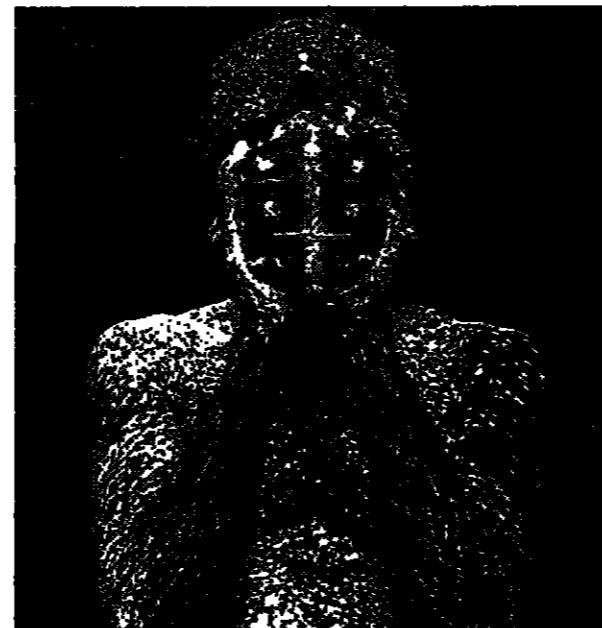
Hollywood's *Forever Young* (Warner), putting the cry into cryogenics, has its hero (Mel Gibson) volunteer for 50 years' deep-freeze after the death of his girlfriend in a street accident (c. 1940). Will he meet her again in the

future? So we are. We grab our handkerchiefs and blow into them, drowning out the string section as Mel swoops into the arms of his "new" beloved, finding love and hope growing from the depths of despair.

But there is one big difference between High Art and Mass Art. In the first, bereavement precipitates a new life, with its terrors as well as fulfilments. In the second it just cues a quest to re-find the old life. Where a formula product like *Forever Young* goes round in a giant sentimental circle, filmmakers like Roeg in *Don't Look Now* or Neil Jordan in *Angel* truly shoot their main characters out into a void. (Roeg's 1973 Venice mystery trip is still a dazzler). And in-betweens like John Sayles, a sort of Hollywood drop-out (*City Of Hope*) who sometimes likes to drop back in (*Alligator*), find a mood somewhere in the tales of emotional rebound.

Of course there are some films in which no one dies and everyone has a good time. Since this is spring and the sun is shining, let me end by commanding *The Wedding Banquet*, *Dennis* and *Bambi*. A gay comedy of errors; a straight comedy of teenage mischief (with Walter Matthau receiving the custard pies); and a comedy-romance-cartoon about beautiful Nature.

Oh no, wait. Someone does die in *Bambi*. Mr Deer, and very memorably. Sorry. Handkerchiefs out again.



One of the images of Bahia at the Barbican, by Mario Cravo Neto

Miranda, *Road to Rio*, exotic cabaret, image of Brazilian culture from May 16-18, is that they are wrapped up in *condomble*, the ancient religion of west Africa which the slaves tenaciously clung to and which survives in its purest form in Bahia. Also appearing at the ICA is Mae Stella, one of the most prominent *lidorixas* (priestesses) in Salvador, who preserves the ancient mysteries and acts as sage and magician.

The Portuguese took the easy way out with *condomble*: they just linked the African deities with Christian saints and fuzzed the issue. But in recent years ethnicity has hit Bahia hard. Mae Stella rejects syncretism, the fusion of Christianity and *condomble*, and the young blacks look to African rituals, African rhythms and African religion as an expression of their massive contribution to a Brazilian society which still largely marginalises them.

But it is not only black Bahians who seek an alternative history and society. Military rulers exiled Gil and Caetano to London around 1970. When they returned they remained revolutionaries. They were fierce opponents of the Carmen

researching the links between Africa and Brazil and finds that the believers in *condomble* are more at ease with life.

Caryé may be more of a sceptic but he has portrayed the gods in paintings and sculptures, on display at the Barbican, while Amado, who looks to Shango, the god of fire, lightning and justice for protection, has used the legends in his picaresque novels of Salvador life.

The African gods are very much of this world so hardly interfere with the pleasures of life. There will be plenty of exuberance in London next month. But the commitment is real. Gil Costa is a popular singer, the Shirley Bassey of Africa. In his simple home in a poor area of Salvador, surrounded by his American disciples, Verger takes a life-long search for philosophical peace. He rejected Buddhism because the pact between the rich man and the poor man pandered to the egotism of both. He believes that *condomble*, where there is no hell nor retribution, where the gods are manifestations of natural forces like fire, water and hunting, and death is followed by reincarnation through your descendants, has the basic answer. He has spent 40 years

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Last week *The Spectator* published an article called: "The Misery of Women". It argued, in essence, that the British middle class woman was never satisfied. If she did not have a job, she was envious of those women who did: men were not so bored by them. If she did have a job, she was envious of those women who did not: they did not have to put up with the unpleasant and uncouth manners of men in the workplace.

And, argued the author of the piece, James Buchan, both categories of modern middle class women envied their mothers, who were never expected to work, and were not ashamed to spend a life of leisure or pure domesticity.

While I thought Buchan's article both poignant and telling, it had not occurred to me that it went

A modern woman's place...

Dominic Lawson considers a controversy over the role of middle-class mothers

beyond the painfully obvious. However, it was denounced, the very next day, by the *Daily Express* as "spectacularly controversial", and was abused for its alleged foolishness and insensitivity by columnists in such diverse publications as the *Evening Standard* and the *Independent on Sunday*.

It annoyed me to see analysis so influenced by the left's greatest political philosopher being denounced by the legions of the politically correct, whose own philosophy usually amounts to no more than half-digested Marxism. In his autobiography *Joad has a section "Women in the Home". He remarks: "There is a controversy perpetually revived in the cheaper press on the question of whether*

labour. That is why, he argued "housework has been mechanised and the fridge is stocked with Marks and Spencer recipe dishes and the birth-rate is so low." Buchan argued that women would be much better off spending their time learning to cook and looking after the children they love.

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women should go back to the home. What is not usually realised by the participants in this controversy is that for the middle-class woman - and it is over the middle-class woman that the controversy rages - there is no home to go back to... growth of transport facilities, increase in mechanical and electrical appliances... have left of [the home's] varied duties only an automatic routine. The middle-class woman neither brews nor bakes; she does not wash; she has no skill in the making of conserves and regards cooking as on the whole a nuisance. To mitigate this nuisance she does not cook so much as warm up food that others have cooked for

her..."

This was written in 1932, and by a man who described himself as "a socialist" and a "feminist". Today *Joad* would be regarded as a reactionary old misogynist.

The chief difference between *Joad's* analysis of the middle class woman's lot and that expounded by Buchan, is that the former believed that modern industrialism had made the housewife redundant - gadgets did her work for her - while the latter believes that gadgets have been designed to allow women into the male world of employment, and therefore to make their husbands redundant.

Meanwhile, since I published Buchan's strictures, the atmosphere in the *Lawson* household has become a little frosty. These are dangerous waters, Watson, as that incorrigible bachelor, Sherlock Holmes, said.

■ **Dominic Lawson is editor of *The Spectator*.**

For the want of a nail

Michael Thompson-Noel

I arrived home on Thursday evening, grey with exhaustion, to find Miss Lee, my executive assistant, serving Vera Lynns (lime, tonic, gin) to a trio of young lawyers encamped in my sitting room. I could tell they were lawyers - not from their suits and briefcases or red, buttony eyes but from the stench of money that swirled about them like the smell of rotting mangrove in a moonless swamp.

I did not interrupt. From what I could see they were in awe of Miss Lee, who was certainly looking a picture and who spoke to them throatily while dispensing the Vera Lynns. Miss Lee, a Thatchertite, is at present celebrating the return of the glam-rock influence to London *haut couture*, and was wearing something sequin, in a new, nautical tulle - satin. I suppose you'd say it was.

I retreated to the lower floor of our Notting Hill duplex. Cooked dinner. Cleaned the kitchen floor. Spent some quality time with the cat. Watered the camellias on the patio. Laid the table with the laughing-kookaburra placemats that we use in mid-week. And waited for Miss Lee to finish her business with the mangrove-heads and join me for dinner.

Which she did, eventually, with a magical rustle of tulle. We started our meal. Miss Lee poured herself a glass of house red, from a winery near Quillabamba, but could not touch her food. She was obviously

HAWKS & HANDSAWS

excited. She said: "I expect you are wondering, Michael, why my lawyers were here this evening, *now*?" It turned out that Miss Lee had been entranced by the news that a High Court judge in London had ruled that a man, Martyn Ginder, was two-thirds to blame for an accident in which his wife, most unfortunately, had broken her back while trying to rescue their young son from a car-port roof.

The husband had been asked at least 10 times in three months to mend the window through which the child had climbed out. As a result, the wife, now wheelchair-bound, had claimed an estimated £500,000 against her husband's household insurance policy. Damages will be assessed at a later date.

"All deeply upsetting," said Miss Lee, stroking her glass. "But also educational. Hence the attendance here this evening of my lawyers, who are insisting, Michael, that your household insurance policy be raised to £2m *tout de suite*, plus half a million for various extensions."

"Extensions?"

"I shall come to those. But let us deal first with basic household liability. As you know, £2m, these days, is neither here nor there. It is a very small sum, though large enough, just, to cover against damage to my person occasioned by your limpness on the DIY front."

"DIY?"

"Do-it-yourself. Household maintenance. Running repairs. Toolbox Men's work. I have asked you to re-hang the John Bellany in the sitting room. It is a major work of art, no one can deny, but also immensely heavy. My lawyers dread to think what damage it might cause should it fall and strike me - and all for the want of a nail."

"There are other things about the flat that fill me with alarm. That ill-fitting drain-cover which allows all the rats hereabouts to bomb as they are on high-class dope, to cavort across our patio morning, noon and night. That cracked thing over the cooker. The carpet by the stairs. You are the man around here, Michael. The place should be ship-shape. That is your rule."

I said: "You know I'll have no truck with this role-playing crap."

"Exactly," said Miss Lee. "Which is why my lawyers are adamant that the time has come to raise your household policy to a nice £2m, so that my person is protected."

"What are these extensions?"

"I was about to come to those. My lawyers maintain that your household policy should be extended so as to insure me against stress or psychological damage caused, or likely to be caused, by matters or situations other than mere malice."

"Well... riding around in the Rover. My lawyers agree that a woman of my sensitivity is highly vulnerable to stress if she is obliged to travel around in a six-year-old Rover car driven by a person as eccentric as you. There are various other matters: bedroom, nocturnal - to be covered by the extensions. Half a million should do it, just about."

R

un your finger down the form guide to British billionaires and you will find, tucked in behind the Duke of Westminster at number eight and valued at around £1.85bn, the name Hinduja.

Who? The Hindujas, four brothers, belong to that mysterious caste of international middlemen who spin the wheels of the world economy. Originally from Sind in the Indus valley, a cradle of civilisation and now part of Pakistan, the family made its first fortune as traders in Iran before moving headquarters to London when they saw the Shah was about to fall.

Srichand P. Hinduja ("Mr. S.P.") is the eldest brother and chairman of the group. As one would expect of the head of a private empire whose secretiveness has encouraged whispers of financial scandal, or of a father who has lost his only son in tragic circumstances, he very rarely succumbs to interviews.

He sat, a diminutive figure, at the head of a big polished table high up in New Zealand House in London's Haymarket. A secretary placed a tape recorder at his elbow and Mr. S.P. opened the interview. Had I been to India? Had I interviewed other Indians, other Asians? What did I know about the group?

He was as suspicious as a mussel exposed by the tide, slow and circitous in his replies, warily parrying each question as if expecting to be disbelieved. But when he talked about his 22-year-old son Dhaman (Hinduja does not accept the coroner's verdict of suicide) the shell began to open and soon he was calling me "my dear friend".

Apart from commodity trading and finance, the brothers have asset management and investment banking in Switzerland, motor manufacturing (Ashok Leyland) and chemicals (IDL Chemicals) in India, oil deals (Gulf Oil Trading) and infrastructure projects almost everywhere. They have just set up one of the first private banks in India in 40 years. They have a staff of 20,000, and a turnover of "several billions".

What they own, they own collectively. "All the houses belong to everybody, all the cars belong to everybody," Hinduja senior said. "There is no 'this is mine, this is yours'. All the children belong to everyone. We have kept one kitty. Everyone works as a duty. There are no wills."

So you, Mr. S.P., don't have...?

"Not a single penny!"

Gopichand ("Mr. G.P."), the second brother and group president, also based in London, is rounder and jollier. He and S.P. jostle each other verbally like competing schoolboys. The third brother, Prakash, runs the financial arm, AMAS, in Geneva, and the fourth brother, Ashok, the Indian businesses.

They are vegetarian, teetotal and non-smoking. Hinduja senior does not even drink tea, coffee or fruit juice. "I don't want to depend on things which if tomorrow I don't get I feel sorry about," he explained.

"My parents used to live this way. They thought it was religious. We are not living like this because of religion but because we have made research on what is good for the human body."

From their father Parmanand ("the late father") they inherited not only the first \$1m but also a sense of philanthropic duty. Their Hinduja Foundation supports a hospital and colleges in India, scholarships to Cambridge University, research at Harvard and various youth adventure, artistic and sporting concerns. This was to honour the Vedic tradition of altruism, where self-promotion is rewarded with disgrace.

The brothers refuse to deal in meat, because that offends a scriptural injunction against killing animals, or in alcohol, gambling or racials.

What about weapons? I asked, recalling newspaper allegations, later retracted, that they had traded arms in Iran.

"We don't deal in weapons. We are supplying the defence industry with non-ferrous metals, batteries, lead, antimony, chemicals. But where there is a financial package to be organised, or counter-trade to be organised we will do it. Let's make it very clear. Once the deals were complete the media could eas-

ily be taken up by the left's greatest political philosopher being denounced by the legions of the politically correct, whose own philosophy usually amounts to no more than half-digested Marxism. In his autobiography *Joad has a section "Women in the Home". He remarks: "There is a controversy perpetually revived in the cheaper press on the question of whether*

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Private View / Christian Tyler

The billionaire without a penny

meat, because that offends a scriptural injunction against killing animals, or in alcohol, gambling or racials.

prosecutor's letter people will be astonished to see how they are being taken for a ride."

So the accusation against AMAS...?

"...is bullshit."

If secrecy leads to these false suspicions, why not open up?

"A private group, being a trader and banker, doesn't have an obligation to the public or media to say why and how I have made my money. But if they are interested to know what business I am doing, that is very open." Once the deals were complete the media could eas-

Hinduja embarked on a rambling answer about how the brothers never courted publicity, how much they were misunderstood, but how their consciences were clear. "Let anybody say anything. It doesn't matter to us."

He went to Downing Street and other such functions, he said, to promote understanding between his host country and his mother country, just as he does between Iran and India.

Mr. Hinduja, I said, do you give money to the Conservative Party?

that I don't like to make money. But my first objective is how I can offer my services to mankind, which can bring in better understanding and lesser miseries and sufferings in the human race.

It is obvious in a free market each will get a slice of cake according to his capability. If I am one of them, there is nothing wrong in it.

But I haven't started with the objective of how big the slice of the cake will be for me."

"I have not told any head of state. You have to do this for me." On the contrary, I keep on telling them

were traced to a hotel in Mauritius. Press reports described his death as a suicide pact and blamed it on the family's rejection of the girl as a suitable daughter-in-law.

But Hinduja senior - who was at his son's bedside but refused to attend the inquest - does not accept either assumption. "It is a mystery to the family. This is all I can tell you. That is why we are still very much confused."

Did you try to stop the marriage?

"My dear friend, people are free to write what they like. But this is not the truth. This is all I can tell you. I cannot say that in our family one is not allowed to live and operate the way he or she wants."

Do you blame yourself at all?

"No, because if there was any blame I would not have revived. I would have gone crazy. On the contrary I am going in such directions and getting such enlightenment that I feel more strength, more and more confidence."

If his business philosophy is free market and secular, Hinduja's private philosophy is increasingly mystical. His chief memorial to his dead son is a research institute set up last October with the help of Columbia University in New York to study religious texts for the pre-scientific knowledge they contain.

"This knowledge can benefit the entire world with proven scientific applications," he said.

Dhaman died of sepsis two years after his son. Later he said: "I am not saying

that there should not be any favour given to any businessman, so that later on people can finger you and finger me. I am against protection. I say there should be a competition, open and fair. Then let us see who wins the race."

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Michael
Mills

Britain's accusations that Iran has been collaborating with the IRA are unlikely to dent its smirking defiance, for the simple reason that the government in Tehran thinks it has the measure of the industrialised world. It is an assumption based on the calculation that, whatever Iran may say, and perhaps do, the commercial self-interest of competing nations will ultimately work in Tehran's favour.

On the face of it, Iran has little to smile about. It is heavily in debt, oil revenues are sharply down, inflation is rising and the economy is contracting. But it has succeeded in at least postponing the economic crisis by persuading Germany, Japan and other trading partners to reschedule an important slice of its short-term debt. Its defiance remains directed primarily at the US, which unsuccessfully sought to persuade those countries against offering Iran any relief from its worsening economic problems.

"We always knew the importance of our market to the west and have now learned the power of owing billions of dollars, rather than just a few hundred million," said one official in Tehran recently. "By halting debt payments in December we were able to concentrate the minds of our creditors on achieving favourable agreements."

Iran offered nothing political in return for the rescheduling and, in particular, has not moderated its ambition to export the message of revolutionary Islam to the world's Islam Moslems. Senior officials are generally encouraged by events in Algeria, Sudan and Egypt, where they sense that the popular political tide is swinging ever more in their direction.

For the US, the British allegations that Iran was preparing to supply finance, weaponry and training to the IRA were particularly timely, as

A debtor's calculated gamble

Iran, accused of planning to arm the IRA, is using its economic weakness as a weapon, says Roger Matthews

they appeared to lend weight to its assertion that Iran is one of the main sponsors of international terrorism, and justify the American policy of seeking to isolate Tehran economically. However, the US may also reflect that its efforts to limit Iran's economic prospects have proved less effective than the self-inflicted damage caused by the government in Tehran. Since the end of the eight-year war with Iraq in 1988, Iran has squandered one solid achievement to have emerged intact from that appalling conflict: its international financial reputation.

Iran escaped from the war almost without debts and a reputation for meeting its obligations on time. But the combination of the government's desire to compensate people for their suffering, and the central bank's failure to control letters of credit, proved calamitous.

Imports surged out of control, and today Iran's total outstanding debt is about \$25bn. The country is 14 months behind in meeting payments on letters of credit, and its access to urgently needed long-term international financing is almost nil. It also has to cope with a population which has doubled to more than 60m since the 1979 revolution, an infrastructure damaged by war and neglect, and the probability of continued oil price weakness causing a sustained loss of government revenues.

Iran's leaders blame anyone but themselves for their troubles, but as

the country's economic plight continues to deepen, so domestic tensions are likely to grow. The government has bought itself a financial breathing space through the debt rescheduling now being finalised, but the respite is limited, both in time and in the immediate effect on Iran's hard-pressed finances.

The country's short-term debt is estimated at about \$14bn, including some amounts rescheduled last year. Of this, current arrears are put at \$9bn with some \$5bn-\$7bn covered by export credit agencies. Another \$7bn is thought to be due for repayment during the rest of this year.

The German package covers arrears of about \$2.5bn. It allows for a two-year grace period and repayments to be made in equal tranches over the subsequent four years up to the end of 1999. Similar bilateral deals are being finalised with Japan, (up to \$2.5bn), Switzerland and Austria (another \$1bn each).

Government officials claim that, together with reschedulings involving Italy, France, and other European nations, this will provide relief on nearly \$8bn of debt arrears.

The US may hope that the British revelations will push the creditor nations into reconsidering the rescheduling arrangements, but whatever the outcome Tehran is still firmly caught on the financial hook. With about 85 per cent of government revenues deriving from



Problems shelved: Tehran's shops are packed with western goods, but this situation may not last for much longer

oil, the shortage of hard currency to fund all but the most essential imports will remain acute.

But, in a new year message last month, President Ali Akbar Hashemi Rafsanjani saw not a cloud on the horizon, a view likely to have been received with scepticism by the Iranian parliament, which has taken a more critical view of the economy. During the budget debate earlier this year members forced the government to slash its oil revenue estimates for the year beginning March 21 from \$18bn to just over \$10bn.

Although imports have fallen by more than 40 per cent in the financial year which ended last month,

visitors to Iran's main ports report quaysides stacked with consumer goods. Shops in Tehran are still well supplied with western fashions, perfumes, and electronic equipment, while caviar can be bought at just \$50 a kilo, somewhat less than the price of a bottle of smugged vodka.

Indications that this situation cannot persist for long are beginning to emerge. Inflation, officially running at 23 per cent, may be closer to 50 per cent, with some items having doubled in price during the past year. Government efforts to unify the exchange rate are faltering as demand for dollars increases, with the rial recently

trading at about 2,500 to the dollar on the free market compared with the official rate of 1,780.

One political consequence has been the steady erosion in President Rafsanjani's authority. Parliament has turned increasingly against him. First, it refused to endorse the renomination of Mr Mohsen Nourbakhsh as economics minister, and then in January this year displaced Mr Rafsanjani's brother from the key role as head of television and broadcasting. And when the president proposed a doubling of petrol prices, from the ludicrously low equivalent of 2 US cents a litre, parliament refused.

While President Rafsanjani's for-

tunes have declined, those of less pragmatic Ayatollah Ali Khamenei, the spiritual leader and successor to Ayatollah Khomeini, have strengthened. Few Iranians doubt Ayatollah Khamenei is an ambitious man, but opinion is divided over whether he ultimately regards Mr Rafsanjani as a political ally or a disposable rival. Ayatollah Khamenei also has his own problems, particularly with the Shia clerical establishment in Qom, which is ill-disposed to recognise him as the senior religious authority following the death in December of Grand Ayatollah Mohammad Reza Golpayegan.

With so many competing centres of authority, the prospect for a single, coherent approach to the country's economic difficulties and foreign relations appears remote. Ministers act independently of each other, the president cannot impose his will on parliament, leaders of wealthy religious foundations cannot be stopped from dabbling in international politics, and the clerics are dismissed, leaving only the old slogans of the revolution as a common point of reference.

This, of course, is not the Iran that its leaders see and cherish. They mock western doubts about the regime's durability and place any current difficulties in the historical context of Iran's revolution. This, they remind visitors, is the revolution which overthrew the Shah, survived the war against Iraq, faced down 15 years of hostility from the US, and routed all domestic opposition.

But what the revolution has not yet demonstrated is an ability to create economic growth, reduce unemployment, narrow the vast gap between rich and poor, and manage the nation's considerable resources intelligently. On those issues, the Iranian public will eventually make their views felt.

Management consultants are the people who borrow your watch to tell you what time it is and then walk off with it, in the famous judgment of Mr Robert Townsend, the former chairman of Avis.

His 1971 opinion is still widely held in business. A survey of company directors in Scotland last year rated management consultants lowest of any profession for their contribution to business, ability to grasp company requirements and value for money.

Now dissatisfaction has surfaced in the public sector, with an unpublished government report on the use of external consultants by the civil service. The UK Cabinet Office efficiency unit could find savings of just £10m from expenditure on consultancy of more than £500m a year - less than 2 per cent of the cost.

By contrast, £75m was spent on internal consultancy in 1992-93, saving £18m, 23 per cent of the cost.

The findings of the report, revealed in the Financial Times on Tuesday, unleashed a political storm over the waste of resources. But the commissioning of the report indicates that ministers have become increasingly uneasy over the enormous growth in the use of external management consultants in Whitehall. A series of reports by the National Audit Office, the public expenditure watchdog, have already criticised the waste of money on consultants by the civil service and the health service.

One highly placed civil servant, referring to use of consultants, said: "Some of these reports cost an arm and a leg and tell you nothing you didn't know already."

The explosion in consultancy use and other outside advisers by the public sector has been relatively recent. In 1985, public sector work brought in £34.5m for members of the Management Consultancies Association. (It covers about half the consultancy market). By 1993 this had increased to £250m.

Privatisation was one important area enabling merchant banks, accountants, City law

yers and PR consultants to rack in lucrative fees for selling off utilities such as BT, gas, water and electricity.

Another opportunity was provided by the computerisation of civil service work such as tax collection, which created some of the largest IT projects in western Europe. The computerisation of the Department of Social Security involved at its peak 250 staff from Andersen Consulting, the world's largest consultancy.

The growing pace of Whitehall reform gave a further boost to consultancy in the late 1980s. Consultants were called in to advise on the creation of more than 90 executive agencies to improve the delivery of central government services, such as the Benefits Agency which pays social security benefits. The Citizen's Charter required marketing and customer-handling skills that the civil service lacked. Consultants advised civil service departments on market-testing and their staff on how to win contracts. And the latest move to privatised executive agencies will mean more lucrative work for City advisers.

By 1992-93, civil service expenditure on all forms of external consultancy had reached £665m a year, the efficiency unit estimated. A sample of quangos - non-civil service bodies financed by government - suggested they were spending a further £124m a year on consultants.

Around half the money being spent is used to help implement government programmes. Consultants help design roads and defence equipment, advise foreign governments as part of the foreign aid programme and devise training strategies.

Nearly a third of the total, £160m, is spent on IT advice



Most of the remaining £130m is being used to help improve the management and structure of the civil service.

Consultants are quick to point out that the figure of £10m for the savings from this expenditure is not an accurate reflection of the benefits.

"Benefits aren't just about savings, they're about achievement," says Mr Nick Rawlings, head of the public sector practice at PA, one of the largest UK consultancies.

Mr Brian O'Rourke, director of the Management Consultants Association, says that even where there are savings, the civil service often fails to quantify them. "Businesses are much more accustomed to estimating the savings from a project in advance and then checking on the actual savings afterwards," he says.

Mr Keith Burgess, managing partner of Andersen Consult

ing in the UK, says that neglecting to calculate the benefits is a consequence of the civil service obsession with controlling costs.

"Civil servants emphasise

process in buying consultancy, ticking boxes to show that every check has been made so that the result cannot be challenged by the National Audit Office," he says. "In business, there is a far greater emphasis on individual responsibility, with a senior manager in charge of commissioning consultancy and seeing it through until the benefits can be realised."

And Mr O'Rourke sees no sign of the efficiency unit report is devoted to improving the process of buying consultancy. Essential to this is the development of policies for using consultants.

"There is a common feeling, rightly or wrongly, that for significant projects some

neglecting to calculate the benefits is a consequence of the civil service obsession with controlling costs.

The consultancy industry is outwardly sanguine about the fall-out from the report.

"More intelligent buying will mean that the money is spent better - and the government has plenty of scope for improvement," says Mr Burgess.

And Mr O'Rourke sees no sign of a collapse in the market.

They may be right. One

thing is certain: the glory days for consultancy in central government are over. After the embarrassment of this week's report ministers will make sure that future projects are more rigorously justified.

Quite simply, there are too many restaurants in France.

This observation comes not from a prospective visitor to France somewhat perplexed by the 10,876 entries in the 1994 Michelin Guide, but from Michel Roux, three-star Michelin chef.

Although Roux is based at the Waterside Inn, Bray, Berkshire, he keeps his finger on the culinary pulse of France's Relais & Châteaux, the marketing consortium of top hotels and restaurants, and the Maîtres Pâtissiers de France, an elite culinary group of which he is vice-president.

In many cases, the report says, consultants are used in a reactive fashion, to deal with particular problems. Projects are commissioned by relatively junior staff, which are then not implemented because the staff lack sufficient authority to carry the projects forward. Communication between departments or similar consultancy work, which would prevent duplication and reduce costs, is limited.

Mr O'Rourke says that Whitehall departments need to take consultancy more seriously. Project specifications should identify expected benefits and be finalised in a dialogue between the department and consultancy.

In Festiva '94, a gastronomic fair, the report goes further, and questions whether some consultancy is needed at all.

To avoid duplication it suggests a government-wide database of completed consultancy work.

And some management improvements could be better achieved by adopting benchmarking techniques used in business. These involve identifying best practice in other organisations and copying successful techniques.

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thing is certain: the glory days for consultancy in central government are over. After the

Spin and tonics

French chefs are trying to whet appetites, says Nicholas Lander

been rapacious. Normal practice is to take the wine's cost price and multiply it by between 4.5 and 6 to arrive at a selling price inclusive of 18 per cent tax and 15 per cent service. This policy has discouraged many US visitors, used to lower mark-ups, and upset several French wine-makers.

Twenty-one top champagne houses have given French restaurants a marketing lesson by launching a campaign to

France's youth are no longer attracted to a career in the kitchen

boost consumption. They are offering a 30 per cent rebate on the cost price if restaurants agree not to charge more than Fr300 for non-vintage champagne. More than 900 restaurants are taking part.

But at Festiva '94, in the presence of Paul Bocuse, the French government's 'frame fort' policy has

demanded the tourist market and to survive several top Parisian chefs, including Jacques Cagna, Michel Rostang and Guy Savoy, have opened more relaxed, less expensive brasseries, such as La Butte Chaillot, La Rotisserie d'en Face and La Beaujolais Beaujolais, which have menus priced

about 40 per cent lower than their main establishments.

A few top Parisian restaurants, such as those run by Joël Robuchon and Bernard Pacaud, may be booked ahead but it is for weeks rather than months as it was in the 1980s.

Outside the big cities, business is quiet, particularly at lunch. According to Roux, 1994 may be "bloody".

Part of the damage is self-inflicted. While French restaurants have priced their food sensibly, via fixed-price menus, their wine pricing has

food so that, as school-leavers, they will consider a career in catering. Other measures were announced to upgrade the training for those at college and to reward more positively trainee chefs and waiters in restaurants. Each trainee chef will receive a "Passport to Professionalism" sponsored by the local branch of the bank Credit Mutuel.

On the fair's demonstration stands the policy was being put into practice. As three-star chef, Michel Troisgros, was cooking barbecued duck with turnips in front of an audience of 500 French adults, another professional chef was supervising 5-year-olds, dressed in white mini-chefs' jackets and hats, as they cut strawberries and vegetables. Behind were their drawings of butchers' and bakers' shops under the heading: "If I do not eat meat, eggs or fish, I will not grow up big and strong."

Will French restaurants find it difficult to attract new customers or chefs? Troisgros laughs. "At the top end of the market we need extra customers," he says. "Although business is good, we would like an extra 10 customers each service to take it back to the level it was four years ago."

For other less well-known French restaurants the competition for customers and good staff is almost certain to intensify and may lead to a significant restructuring.

One solution to an oversupply of restaurants and a shortage of good chefs may lie in restaurants grouping together. Philippe Bohrer, 31, one-star Michelin chef at Roumou, Alsace, has formed Syndicale Gourmande with three other chefs because, he says: "Chefs today have to sell themselves to their customers and to their staff, and go where their customers want, even taking restaurants into homes or offices."

"Restauration à la domicile", Bohrer's vision of the future, may be the most important change the industry has undergone since the French Revolution broke up many of the great houses and transformed France's domestic cooks and servants into the world's first restaurateurs.

The government is currently reviewing the position of building society mergers and acquisitions. One reason why building societies are vulnerable to being taken over is the limits that are imposed on their ability to raise funds in the wholesale market. Part of the review should cover the question of whether these limits should be revised or removed. If the playing field between banks and building societies were levelled, many more societies would be in a stronger position to resist the pressures for take-over and the ideal of mutuality could be preserved.

Without a successful review, the ideal of mutuality will be lost and competition sacrificed.

Elizabeth Mayer,
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Deregulation proposal a threat to many local authority markets

From Mr J S Whitaker.

Sir, Despite a large number of objections, the government is forcing through a bill which threatens the future of local authority-owned markets. The Deregulation and Contracting Out Bill will remove common law protection for markets built on common law and provided by market rights. Rights of markets in private ownership will not be removed.

The government received 2,322 responses to the bill. Of these 2,049 objected to the market deregulation proposal.

One of the reasons

COMPANY NEWS: UK

Profits warning hits Canadian Pizza shares

By Simon Davies

Shares in Canadian Pizza fell 46p to 120p yesterday, when the management issued a profits warning just five months after the company's flotation.

Mr Andrew Dore, chairman, said that sales to UK retail customers had "seen a significant slowing", while its largest client, Sainsbury, had indicated it would axe purchases of pizza crust for its deli-salads operations. These accounted for about 10 per cent of last year's turnover.

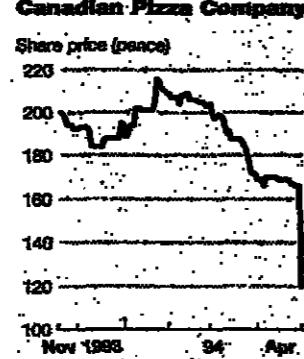
Last November, a grinning deputy chairman, Mr Harry Kent, unveiled a pizza crust with the price 200p written in pepperoni. The share price has since fallen 40 per cent.

The collapse underlines the uncertainties of investing in flotations, particularly when the track records of companies and management are relatively short and the issues are heavily promoted.

Hearne Govett, Canadian Pizza's stockbrokers, were brokers to the recent flotation of Maid, the on-line business information supplier, whose shares fell 45 per cent within weeks of its launch.

As one fund manager said yesterday: "To have one flotation nearly halve in value is unfortunate. We have a second, smacks of carelessness."

Mr Tim Potter, of Smith New Court, said: "It was overpriced, and the market is now learning just how exposed Canadian Pizza is to the whims of the supermarket trade, and



their impact on its one product." However, he said there was no evidence that the management could have foreseen the difficulties.

Canadian Pizza announced its results at the end of February, saying that although there was some pressure on profit margins for sales of pizza crusts to retailers, it had picked up new accounts.

Mr Peter Woodall, chief executive, said the company had only heard about the likely loss of Sainsbury's business last week. As a result previous expectations of growth had vanished, and the company was no longer certain it would exceed 1993's profits of £2.2m. However export sales, which account for 30 per cent of turnover, were above budget.

The company said that subject to unforeseen circumstances, it would maintain its dividend.

Pelican cash call for Dôme chain

By Andrew Bolger

Pelican Group, the acquisitive restaurant operator, has agreed to buy the Dôme cafe chain, which helped to pioneer brasserie-style catering in the UK - from Forte, the hotels and restaurants group.

Pelican is paying £1.5m in cash and also announced a fully underwritten £20m rights issue to pay for the chain and the conversion of most of the outlets into its own Café Rouge brand of restaurant.

The 5-for-3 cash call at 80p was well received and Pelican's shares rose by 4p to 55p.

Mr Roger Myers, Pelican's chairman, was advising Courage, the brewer, when in 1984 it opened the first Dôme cafe in Hampstead, London.

In 1986 Forte bought what had by then become a chain of four outlets. However, they always seemed to sit uneasily within the larger group which now wants to focus on its core hotels and roadside catering businesses.

The Forte connection was carefully concealed, since the group rightly suspected that its style-conscious young customers might not want to know that their trendy local was owned by the same company which controlled the Little Chef and Happy Easter roadside restaurant chains.

Bromsgrove sale to consortium

By Paul Cheeswright

Bromsgrove Industries, the specialist engineering group, yesterday largely withdrew from the automotive sector by selling its aluminium diecasting and machining companies to a consortium led by Mr David Auty of Leicester for £16.5m.

The consortium includes the management of the companies which will now be grouped under the title of BSK Aluminium. These had combined sales of £30m in the year to March, in the six months to September Bromsgrove's automotive division had operating profits of £6.4m, from turnover of £16.5m.

The sale is part of Bromsgrove's stated policy of diversification to allow for the creation of larger profit centres.

It reflects concern at the continued pressure on margins in the automotive sector and comes from an assessment that larger sums than Bromsgrove is likely to have available, would be necessary to assure the future of the companies in an industry of growing concentration.

Through 31, the venture capital group, and Arthur Andersen, accountant, Mr Auty has arranged £18.8m of finance to cover the purchase price and £2.8m of extra working capital.

The financing is in two parts: £3m of equity from 31 and £15.8m of working capital, senior and mezzanine debt from Midland Bank and Samuel Montagu.

The sale is part of Bromsgrove's stated policy of diversification.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Cents - pending dividend	Total for year	Total last year
Abstrut Euro	1.8	June 30	0.3	0.8	0.3
British Assets	1.05	July 7	1.07	-	4.05
Cambridge Cont	2.2	June 30	0.5	2.7	12.75
Fleming Cont	2.2	Aug 3	2.7	2.2	2.7
Grampian TV	6	-	5	7.5	6.1
Helene	1.36	July 29	1.38	2.01	2.01
Kitty Little S	11	July 22	1	1.5	1
New Guernsey	1	-	-	1	-
Richards Group	1.25	-	2.76	2.25	4.4

Dividends shown pence per share not except where otherwise stated. ^{1/2}On increased capital. ^{2/2}Second quarterly, making 2.18p (2.14p) per share. ^{3/3}Includes special payment.

Enterprise clarifies position on cash alternative in Lasmo bid

Enterprise Oil was forced to clarify comments about a possible cash alternative to its £1.4bn bid for rival Lasmo yesterday as its share price continued to slide, writes David Wighton.

In a statement requested by the Takeover Panel Enterprise said that, in the light of press comment, "it has

made no decision, at this early stage of its offer for Lasmo, about the possible introduction of a cash alternative, at some later stage of the offer".

A Reuters report had suggested that comments made by Enterprise had ruled out any prospect of a cash alternative.

Mr Graham Hearne, Enterprise chairman and chief executive, had said: "I do not see any need for a cash alternative." Lord Rees as chairman on May 24.

Mr Hearne will be up against a seasoned bid campaigner in the form of Mr Rudolph Agnew who is to become chairman of Lasmo with immediate effect. Former chairman

of Consolidated Gold Fields, Mr Agnew was to have taken over from Lord Rees as chairman on May 24.

Lord Rees said that with his past experience Mr Agnew was "ideally qualified to help see off this unwelcome bid from Enterprise".

Enterprise shares lost another 8p to

416p yesterday, as City concerns about the bid grew, with the lack of a cash alternative drawing particular criticism.

The shares are down 30p since the bid was unveiled cutting the value from 150p to around 130p per Lasmo share. Lasmo shares lost 7.5p to 149.5p.

Seasoned campaigner prepared for battle

Nobody will enjoy the hostilities to come more than Rudolph Agnew. He says he gets bored easily so "I'm motivated by a state of excitement".

His style, mixing relaxed elegance with ironic humour and a very occasional flash of hot-blooded Irish temper, should certainly add some theatrics to the grim battle ahead.

Mr Agnew, 60, has been here before. For ten arduous months he took the lead as chairman of Consolidated Gold Fields, one of the UK's leading mining and industrial groups, resisting a bid by Minoro, part of the Anglo American Corporation of South Africa. It turned out to be the UK's biggest, longest-running and probably the most complex takeover bid ever.

Mr Agnew should beware. Mr Agnew took every opportunity to personalise the battle by mocking Sir Michael Edwards, then Minoro's chairman. Mr Agnew criticised Sir Michael's lack of mining knowledge, his lack of experience at running profitable companies and even his lack of physical stature.

Gold Fields, against the odds, fought off Minoro and the strain it had put on Mr Agnew was clearly visible. The Gitane cigarettes were ever-present. He seemed worn out, haggard and much thinner.

It was no surprise when, shortly afterwards, the Hanson conglomerate, having bought Minoro's near-30 per cent stake in Gold Fields, quickly



Rudolph Agnew: motivated by a state of excitement

won control with a knock-out £3.5bn.

Mr Agnew then saw Gold Fields, where he had worked for 32 years and where his family had connections going back 65 years, dismembered and disappear.

After schooling at Downside, the Catholic public school, Mr Agnew joined the 8th King's Royal Irish Hussars. There his love of a gamble proved difficult. "It was impossible to live on army pay," he once recalled. "I liked backing horses and was singularly unsuccessful at it." He joined Gold Fields as a management trainee and made his reputation by building its quarrying interests.

Kenneth Gooding

partly by the acquisition of Amey Roadstone, into the biggest business of its kind in Britain. He became chairman of Gold Fields in 1983.

Although his bare-knuckle approach in the bid battle was admired, Mr Agnew was previously no City favourite. For example, he refused to budge when analysts suggested Gold Fields sever its South African connections because this would be good for the share price.

In the early 1980s, when Gold Fields was constantly criticised because of those South African interests, Mr Agnew's matinee idol good looks and languid charm did not help him. In public he appeared remote, arrogant and given to making unhelpful facetious remarks.

His critics complained that he ran Gold Fields from its luxurious St James's headquarters in London like a personal fiefdom. They whispered of a ferocious temper, a playboy's lifestyle and a reluctance to do a fair day's work when it was possible to go shooting - still his favourite pastime.

When Hanson grabbed Gold

FIELDS in 1989, Mr Agnew not only lost his £230,000 a year salary, he also had to move out of two company-owned houses.

In the case of Lasmo, Mr Agnew has no other compensation than £150,000 a year for his chairmanship. His maximum pay-off, should things not work out, would be one year's salary.

He will want to fight on industrial issues

Friends describe the diminutive Mr Agnew as fiercely loyal, dynamic, mercurial and even say he has a streak of arrogance. The critics accuse him of megalomania and a tendency to only hear what he

Insiders say the seal was probably set on Enterprise's bid for Lasmo in one of Mr Graham Hearne's late-night drink and strategy sessions.

Those who know the chain-smoking chairman and chief executive of Enterprise Oil say the real work with his key colleagues gets done only when the office staff have gone home and the whisky comes out.

Yet Mr Hearne's ambition to take on Lasmo appears to be a carefully considered step. For more than a year he has weighed the right strategic choice for Enterprise. Low oil prices have presented him with the dilemma. Should he take the opportunity to buy cheap assets now while prices are down? Or will the crude market remain so depressed that the upstream oil business will never offer a sufficient return on the high risks involved?

The bid for Lasmo resolves the debate. In Enterprise's view upstream oil is still the place to be.

Having made that decision, Mr Hearne will now be faced with the prospects of what is likely to become a deeply personal battle. Close associates say this is one aspect of the Lasmo challenge to which he is not looking forward.

He will want to fight on industrial issues," said one colleague.

Friends describe the diminutive Mr Hearne as fiercely loyal, dynamic, mercurial and even say he has a streak of arrogance. The critics accuse him of megalomania and a tendency to only hear what he



Graham Hearne: will want to fight on industrial issues

wants to hear.

All are agreed, however, that Mr Hearne is well connected. One story has it that Enterprise had all but given up on getting a response to its bid for Saxon Oil in 1985, when the tide was turned by just a few phone calls from him.

Those connections are obviously the result of a varied career which has crossed the paths of some of Britain's most prominent businessmen. The son of a Birmingham munitions worker, Mr Hearne left school at 16 to work as an articled clerk with a firm of lawyers. After a brief stint as a lawyer in New York, he was recruited by the Wilson Gov-

ernment to the Industrial Reorganisation Corporation, set up to rationalise British industry. There he joined the likes of Sir Christopher Hogg of Courtaulds, and Sir Alastair Morton of Eurotunnel.

The invitation to join Enterprise in 1984 was based on his experience there. At Courtaulds as finance director, and the merchant bank Rothschild, where he was a director. More importantly he had the oil expertise through his time as chief executive at Tricelimal.

Mr Hearne has been credited with safeguarding Enterprise from hostile shareholders - such as RTZ and Lasmo - as well as building up a £2bn company. Yet there are those who would say the group's perceived success is due to the team he built up, including the now departed finance director, Mr John Walmsley. "If he was on the board he would say this bid is absolute madness," says one analyst.

Yet Mr Hearne has taken precautions. By using an 'A' share structure, Enterprise has limited the risks to its main business if Lasmo goes horribly wrong. Investors may be unwilling to shoulder the risks that he is keen to avoid. If so, his response is likely to be phlegmatic. Lasmo is worth something to him at a price and an acceptable risk. If he cannot buy it at that level he will walk away, but it might be at some cost to his reputation.

Peggy Hollinger and Bernard Gray

Nixon death almost scuppers bid timetable

By David Wighton

The Enterprise team at SG Warburg had reason to mourn the passing of Richard Nixon.

The bid team was in complex negotiations with the US Securities & Exchange Commission and New York Stock Exchange when America took Wednesday off to commemorate the former president.

Enterprise's advisers were already under pressure because they were attempting something which had

never been done before - making a hostile share offer available to the target's American investors.

Hostile bids involving the issue of shares are almost unheard of in the US because the new shares have first to be registered with the SEC, a long and arduous process.

An offer by a UK company to US shareholders in another UK company run into the same problem. It also faces the task of meeting the requirements of two different sets of take-over regulations.

It also had to convince the US

authorities to allow Enterprise to buy Lasmo shares for cash in the market, which is banned under US rules for all-share offers.

Lasmo shareholders will see the results on Tuesday when they will receive what is thought to be the fastest ever UK takeover document.

At 261 pages it contains the UK offer, the US tender offer, listing particulars for the new shares for the UK and the effective registration statement for the US. UK shareholders

will also receive a slimline version which looks more like a normal takeover document.

Enterprise and its advisers went to such lengths because about 23 per cent of Lasmo's shareholders are American and so could be vital to the outcome.

However, now that they have blazed the trail it is thought likely that future hostile bidders may follow its example. Indeed at some stage the SEC may insist that they do so.

JJB (Sports) £20m flotation

By Paul Taylor

JJB (Sports), Britain's biggest independent sports retailer, is coming to market during the summer via a placing with institutional investors, which is likely to value the group at about £50m.

The group, formed 21 years ago by Mr David Whelan, the former Blackburn Rovers player who broke his leg in the 1980 FA cup final against Wolverhampton Wanderers, plans to raise between £15m and £20m of new money through

the flotation. Mr Whelan, the chairman, who entered the retail sector using the £400 compensation he received after breaking his leg to

INTERNATIONAL COMPANIES AND FINANCE

Strong US sales boost Ford profits

By Kevin Done,
Motor Industry Correspondent

Ford of the US, the world's second largest vehicle maker, more than doubled net profits to \$1.3bn in the first quarter (excluding a one-off charge for the sale of First Nationwide Bank) from \$572m in the corresponding period a year ago. Including the charge of \$420m for the sale of First Nationwide to First Madison Bank, net income rose by 58 per cent to \$904m.

The earnings of all the big three US vehicle makers, General Motors, Ford and Chrysler, are rising sharply in response to the strong increase in new vehicle demand in the US.

Ford, which is recovering

from heavy losses in 1991 and 1992, said profits had been rising for five quarters in a row.

Earnings in the first three months of 1994 were the fourth highest first-quarter profits in its history behind the three record years at the end of the 1980s.

The recovery in financial performance is being powered by Ford's US automotive operations, which achieved a seven-fold increase in net income to \$835m in the first three months, the third best quarter on record, from \$115m in the same period a year ago.

"Our worldwide automotive earnings in the first quarter alone were greater than in all of 1993 because of substantial improvement in our US

results," said Mr Alex Trotman, chairman.

Net income from worldwide automotive operations jumped to \$955m, the best quarter since the second period of 1989, from \$765m a year ago, with earnings outside the US virtually doubling to \$120m from \$53m.

The financial services group had virtually unchanged net earnings of \$895m, against \$896m, excluding the one-off charge for the sale of First Nationwide. Including the charge the division had a net loss of \$51m.

Turnover worldwide rose 13.4 per cent to \$30.4bn from \$26.8bn, helped by a 9.2 per cent rise in vehicle sales to 1.67m from 1.53m a year ago.

Marketing costs in the US, including discounts and incentives, fell to 9.2 per cent of gross revenues in the quarter from 11.6 per cent a year ago but were still high by historical standards, said the group.

Despite its strong financial performance in the US, Ford lost market share there, outperformed both by GM and Chrysler, and by some Japanese and European carmakers.

Its share of the combined US car and truck market fell to 24.8 per cent (including Jaguar) from 25.7 per cent a year ago.

Ford is optimistic about continuing growth in US new vehicle demand and forecast a 9.2 per cent increase in sales in the whole of 1994 to 15.5m from 14.2m last year.

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European operations register turnaround

Ford's European automotive operations, which have suffered heavy losses for the past three years, achieved net profits of \$108m (excluding Jaguar) in the first quarter compared with a profit of \$15m a year ago, writes Kevin Done.

The company said it was hopeful that its European operations would return to profit for the whole of the year after running up accumulated losses (excluding Jaguar) of \$153m in the past three years,

including a loss of \$407m in 1993.

Jaguar, Ford's UK luxury car subsidiary, which has been in loss for the last five years, suffered a further net loss of \$40m in the first quarter compared with a loss of \$56m in the same period a year ago.

The return to profit of Ford's mainstream European operations has been driven by higher productivity and cost-cutting. It has reduced the workforce of European

operations, excluding Jaguar, by 15.4 per cent from \$8,100 in November 1992 to \$6,000 by the end of last year.

Overall, west European new car sales fell by 15.4 per cent last year to 11.4m, and the company forecast only a "slow recovery" in 1994 with car and truck sales rising by about 3 per cent.

Wholesale vehicle sales from European plants in the first quarter at 428,102 were 1.8 per cent lower than a year ago.

European market share (excluding Jaguar) has risen only marginally in the first quarter to 11.9 per cent from 11.8 per cent a year ago.

Jaguar increased its sales worldwide by 12 per cent in the first quarter to 7,100 from 6,300 a year ago. Sales increased year-on-year by 25 per cent in the UK and by 18 per cent in the US, but these rises were offset by falls of 27 per cent in Germany and 21 per cent in Japan.

Allianz plans DM1.56bn issue

By Quentin Peel
in Bonn

Allianz, Europe's largest insurance company, yesterday announced plans for a DM1.56bn (\$810m) rights issue in May, to bring its share capital in line with a strong increase in business volume.

At the same time, the Munich-based insurer announced an increase in its dividend to DM15 from DM13.50 in 1992.

The rights issue will also help the company prepare for the liberalisation of the European insurance market, it said.

The 15-for-one issue will raise the capital stock to DM1.04bn from DM975m, the announcement said. Shareholders will be offered the new shares at a price of DM1.200.

Mediobanca to widen ownership

By Andrew Hill in Milan

Mediobanca, the Milan merchant bank, yesterday answered its many critics by launching a rights issue to raise more than L1.500bn (\$937m) and broaden its ownership to include ordinary and professional investors in Italy and abroad.

The offer is structured to dilute the 50 per cent holding of Mediobanca's traditional long-term shareholders - Banca Commerciale Italiana, Credito Italiano and Banca di Roma, and a group of corporate investors - to about 40.6 per cent.

The bank has come under fierce attack in the past fortnight from politicians, small shareholders and executives of IRI, the Italian state holding company, for building up a

dangerous dominant position at the centre of Italian business.

In particular, the bank stands accused of installing its allies on the boards of the newly-privatised banks, Banca Commerciale Italiana and Credito Italiano, to the detriment of small shareholders.

Early next week, executives from BCI and Credito Italiano will meet officials from Consob, the Italian stock market watchdog, to discuss the conduct of those banks' shareholder meetings at which new directors were elected.

If shareholders approve the rights issue at their annual meeting in mid-June, the bank intends to issue 100m new shares, with warrants attached entitling holders to a further 10m shares. The shares will be issued at a price of at least

L15,000 per share, on the basis of one new share-and-warrant for every four already held.

But existing shareholders will be limited to 1,000 new shares, and the outstanding stock will be offered to individual investors in Italy and to foreign and Italian professionals.

The capital-raising exercise,

to be co-ordinated by Mediobanca and S.G. Warburg, comes only eight months after a L1.020bn rights issue, the proceeds of which helped pay for cash calls by companies in Mediobanca's investment portfolio.

The bank also reported yesterday that gross profits decreased to L326.5bn before tax, depreciation and provisions, in the six months to December 31, compared with L350.7bn in the equivalent period of 1992.

The US wakes up to a new aroma

Frank McGurty charts the expansion of a coffee shop chain

Arabian mocha with a "pungent" aroma and "fragrant, light-bodied" Mexican altura are as different as night and day, according to the helpful "barista" serving coffee at Starbucks.

It was uncertain how many of the customers crowded into the gleaming Manhattan coffee bar on its first day of business could actually tell them apart, even after the barman's coaching.

What is clear is that many Americans are finally waking up to the pleasures of fine "arabica" coffee, thanks to Starbucks, the Seattle-based chain now pushing into New York and Boston.

The company's expansion has been as robust as a nothful of Sumatra beans. From 11 shops and 100 employees in 1987, Starbucks has grown into the leading retailer and roaster of specialty coffee in North America, inspiring a fierce loyalty in each new market it enters.

By any measure, Starbucks is one of most successful new small companies in the US. Its empire, which now includes 317 shops and a big mail-order business, has generated revenue growth of at least 62 per cent over the last three fiscal years. Net income tripled from 1991 to 1992, and doubled last year.

In its latest quarter, to April 3, the company posted a 68 per cent surge in net sales to \$57m.

and a 51 per cent jump in net profit to \$1.9m, or 7 cents a share. On an operating basis, earnings were 91 per cent ahead at \$3.4m.

The improvement reflects more than just expansion. In stores opened at least a year, sales growth has exceeded 19 per cent over the past five years. It recently slowed to about 9 per cent, but that compares well with the 2 per cent gain last year by the average McDonald's restaurant opened at least 12 months.

In June 1992, the company went public at \$33 a share, adjusted for a two-for-one split in September. Yesterday, a week after Starbucks cut the ribbon to open its flagship New York store, the stock was trading at just under \$30.

While its record is impressive, the potential of the company, as it begins a long-awaited drive into the big markets of the north-east, is still largely untraced. Mr Christopher Vroom, an analyst with Alex Brown & Sons in Baltimore, believes sales could exceed \$1bn by the end of the decade.

One reason is that Starbucks sits on top of a market which is booming. The Specialty Coffee Association expects US sales of pricey arabica coffees, as opposed to cheaper robusta varieties, to double to \$3bn between 1989 and 1999.

"If this was a 28-chapter book, we are probably at chapter

Schultz, who grew up on a Brooklyn housing estate, is bringing Starbucks to his home town where he expects to open 100 shops in three to four years.

The 40-year-old chief executive grows animated when explaining the success of Starbucks. He links it to the company's "two guiding principles: a passionate commitment to the quality of our coffee and to the quality of our people".

"The reason customers keep coming back - we are now serving 1.5m people a year - is our service exceeds their expectations," he says.

The staff are well-trained in the lore and preparation of coffee, and most of them have plenty of experience, since Starbucks enjoys a much lower attrition rate than other retailers. It was the first private company in the US to offer part-time workers equity and healthcare benefits, he says.

The package is part of an approach which Mr Schultz calls "the Starbucks paradigm". He argues that employee relations are the key to bolstering the bottom line.

"If we are going to build long-term value for our shareholders and customers, we first must build long-term value for our employees," he says. "It's a paradigm shift because most American businesses - and there are exceptions - have not treated their workers well."

Aetna Life earnings slide after catastrophe claims

By Patrick Harverson
in New York

Aetna Life & Casualty yesterday reported a big decline in first-quarter operating earnings to \$53m in the wake of a big increase in catastrophe costs related to the California earthquake and winter storms. A year ago, the US insurer recorded operating earnings of \$117m.

Net income in the latest quarter was \$46m, or 40 cents a share. A year ago, net income was \$88m, or 35 cents, following one-off benefits of \$35m from accounting changes and gains from discontinued operations.

Mr Ronald Compton, chairman, said the improvement in

LTV back in the black despite effects of winter

By Frank McGurty in New York

LTV, the third-largest US steelmaker, yesterday said it managed to return to profit in the first quarter despite the impact of harsh winter weather on its operations.

The group posted net income of \$15.3m, or 16 cents a share, reversing a loss of \$47.7m in the same period of 1993.

The result, which exceeded the forecasts of most analysts, extended a record of steady improvement by LTV since it emerged from Chapter 11 bank

ruptcy protection last June.

LTV, along with the rest of the US steel industry, continued to benefit from rising production, greater operating efficiencies and improved prices.

LVMH lifts holding in Guerlain in share deal

By Alice Rawsthorn in Paris

LVMH, the world's largest luxury goods group, is expanding its perfume interests by raising its stake in Guerlain, the French fragrance house, in a FFr1.96bn (\$330m) share deal.

The Guerlain deal is the first of many investments that LVMH is expected to make following yesterday's conclusion of negotiations to unravel a cross-shareholding agreement with Guinness, the UK drinks concern, which will dramatically reduce its debt.

Mr Bernard Arnault, chairman of LVMH, has made no secret of his plans to expand its luxury goods interests after the Guinness deal.

One of the likeliest areas of

expansion is jewellery. LVMH

has been mooted as a prospective purchaser for Van Cleef & Arpels, the US jeweller, or Tiffany, the US

jeweller, or

cross-shareholdings.

The Guerlain transaction is, typically for Mr Arnault, an intricate deal that involves reshuffling his complex web of cross-shareholdings.

Christian Dior, the French fashion house that owns a stake in LVMH, will cede 12 per cent of its shares to the Guerlain family in return for 2 per cent of Guerlain and a 49.9 per cent stake in Djer, the holding company that owns 58.8 per cent of Guerlain.

Dior will then sell the Djer shares to LVMH, for FFr1.96bn. The Guerlain family has also given Dior pre-emptive rights over

Dior's remaining Djer shares.

The acquisition of Guerlain, one of the oldest names in perfume, is an important move for LVMH, which already owns 14.2 per cent of Guerlain, for FFr1.96bn. The Guerlain family has also given Dior pre-emptive rights over

Dior's remaining Djer shares.

The LVMH deal follows the month that L'Oréal, the French cosmetics and fragrance group, was acquiring full control of Cosmair, its US distribution arm.

The LVMH deal follows the month that L'Oréal, the French cosmetics and fragrance group, was acquiring full control of Cosmair, its US distribution arm.

The group, which is reducing capacity and slimming its workforce from 1,800 to 1,200, made a net loss in the year to mid-1993 of DM45m on sales of DM310m.

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COMMODITIES AND BOND PRICES

WEEK IN THE MARKETS
Stocks fall
aids copper
advance

another \$137.50 yesterday, taking its rise on the week to \$225 at \$5,592.50 a tonne. This latest advance was aided by the announcement of a sharp fall in LME stocks.

Aluminium was able to establish itself above \$1,300 a tonne for three months delivery — closing yesterday at \$1,306.75, up \$22.25 overall. But zinc, while staging a substantial rally, remained below the \$890-a-tonne resistance level.

Precious metals also finished well into the plus columns. Gains in the gold market, encouraged by US dollar weakness and a rise in the CRB index, an inflation indicator, prompted covering by players who had sold the metal short earlier in the week as fears of widespread South African election violence receded, dealers explained.

As the price climbed to a 4-week high yesterday morning.

Added impetus was given by another fall in LME warehouse stocks of the metal, which now stand at the lowest level since last July and are 22 per cent below the 16-year high reached in January.

LME WAREHOUSE STOCKS
(At Wednesday's close)

Aluminium 4,620 to 2,610,775
Aluminium alloy -280 to 275,775
Copper -3,175 to 373,450
Lead -3,050 to 339,775
Nickel -1,320 to 183,725
Zinc -2,000 to 2,020,775
Tin -340 to 212,345

Resistance at \$1,930 a tonne for three months delivery had been broken in after hours trading on Thursday evening.

The rise stalled yesterday at \$1,956 and the price closed at \$1,962.50, up \$23 on the day and \$88.75 on the week. But dealers still thought an assault on the recent high of \$1,973 a tonne was possible after the bank holiday. "It looks like a good solid technical move," one told the Reuter news agency.

Other base metal prices were drawn higher in copper's wake, notably lead and nickel. The former extended its gains on the week to \$19.75 at \$465.50 a tonne for three months delivery. But traders thought strong resistance was likely to frustrate any early attempt to regain the \$500-plus levels seen a few months ago.

Three months nickel put on

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Three months nickel put on

Richard Meooney

WEEKLY PRICE CHANGES

Latest price Change % Year ago 1994 —
on week ago High Low
Gold per troy oz. \$378.10 +0.93 81.20 68.00 8,936 15
Silver per troy oz. \$46.75 -0.25 273.25 234.50 336,500
Aluminum 95.714 (csm) \$126.150 +22.00 111.50 110.75
Copper Grade A (csm) \$193.70 +14.35 119.50 117.50
Lead (csm) \$48.51 +16.55 90.00 82.00 426,000
Nickel (csm) +285.00 590.40 591.00 581.00
Zinc (csm) \$240.00 +27.75 311.50 282.50 582,500
Tin (SHG) (csm) \$240.00 -21 298.00 268.00 475,000
Cocoa Futures Jul \$269.00 -21 298.00 268.00 2,650
Coffee Futures Jul \$166.00 -90 204.00 176.00 9,100
Sugar (LDP Raw) \$226.00 +16.50 314.10 282.50 1,000
Barley Futures Sep \$37.00 +2.10 105.50 97.00 1,000
Wheat Futures Jun \$114.20 -10.10 145.05 134.50 1,000
Cotton Futures A Index \$65.700 +1.50 82.50 74.00 4,000
Wool 8/8 Super 42/28 \$28.00 +2.00 34.00 26.00 4,000
Oil (Brent Blend) \$15.445x -0.105 818.16 816.55 813.16
For terms unless otherwise stated, \$ per troy oz. £ per Cents £s. x June

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

Red Coupon Date Price Day's Change Yield ago ago

Australia 9,600 06/03 103,9100 -1.870 8.41 8.18 7.30
Belgium 7,250 04/04 90,000 -0.440 7.52 7.44 7.22
Canada -0.150 7,000 88,500 7.74 7.74 7.76
Denmark 7,000 12/04 88,500 7.23 7.23 7.23
France BTAN 8,000 04/04 111.500 111.500 110.75
OAT 5,600 04/04 106,500 +0.320 6.14 5.94 5.76
Germany 6,000 05/03 98,1800 -0.250 6.51 6.51 6.28
Italy 6,000 04/04 103,0400 103,0400 9.94 9.18
Japan No 119 4,500 06/03 103,8100 +0.210 3.93 3.94 4.01
No 157 4,500 06/03 93,9000 -0.030 6.82 6.85 6.51
Netherlands 5,750 01/04 107,1500 107,1500 9.21 9.03
Spain 10,500 10/03 107,1500 107,1500 9.21 9.03
UK Gilt 6,000 04/04 103,0400 103,0400 9.18 8.75
8,750 11/04 102,11 -0.22 7.58 7.58 7.35
9,000 10/08 108-25 -0.92 7.97 7.95 7.87
10,250 10/25 -0.92 8.25 8.25 8.05
11,500 10/25 -0.92 8.50 8.50 8.35
US Treasury * 5,875 02/04 91-28 282.25 7.04 6.94 6.57
8,000 08/03 88-23 281.25 7.28 7.24 7.00
ECU (French Govt) 6,000 04/04 101,4400 +0.240 7.21 7.11 6.85
London clearing: "New York mid-day rate" 7.00
7.00 including withholding tax at 12.5 per cent payable by non-residents.
Source: ADIS International

ECONOMIC DIARY — FORWARD EVENTS

TODAY: Social Democrat (SPD) state conference (final day) in Mecklenburg, Germany. South Korean Defence Minister Rhee Byung-tae visits Moscow. Taiwan's main opposition Democratic Progressive Party to hold congress and elect new chairman.

TOMORROW: Cable News Network opens its annual World Report Contributors Conference in Atlanta. US President Clinton will address the forum and answer journalists' questions via satellite on Tuesday. Belarus to lift customs tariffs and trade barriers with Russia.

MONDAY: Start of European Parliament's last plenary session in Strasbourg before June 9 and 12 EP elections. Israeli foreign minister Shimon Peres and PLO chief Yasser Arafat meet in Cairo regarding Palestinian self-rule.

TUESDAY: Dutch general election. Trial resumes in Kuwait of five people in connection with alleged multi-million-dollar fraud. Kuwait Oil Tanker Company, General Agreement on Tariffs and Trade holds first monthly meeting in Geneva of ruling council since signing of

Uruguay Round treaty in Marrakesh. British banking group's mortgage lending figures (March). Bank of England MO figures (April).

WEDNESDAY: Armed forces from 11 countries begin Nato air, sea and land exercises in the central and western Mediterranean. UK official reserves (April). UK advance energy statistics (March). Overseas travel and tourism figures for UK (January).

THURSDAY: Nato secretary general Manfred Woerner briefs the Foreign Press Association in London. Final day of Cable News Network's World Report Contributors Conference in Atlanta.

FRIDAY: South Africa's National Assembly elects the country's new president. Official opening of Channel Tunnel by the Queen and French president François Mitterrand. Cyclical indicators for UK economy (April). British banking groups analysis of lending (first quarter). Full monetary statistics from Bank of England (March). UK insolvency, bankruptcy statistics (first quarter).

MONDAY: Dutch general election. Trial resumes in Kuwait of five people in connection with alleged multi-million-dollar fraud. Kuwait Oil Tanker Company, General Agreement on Tariffs and Trade holds first monthly meeting in Geneva of ruling council since signing of

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 60.7 PLTNTY (\$ per tonne)

Cash 3 months

Close 12/03 - 1305.70

Previous 12/03-05.5

High/low 12/03 1310/1303

AM Official 12/04-5

Kerb close 1308-3

Open int. 228,208

Total daily turnover 46,071

Total monthly turnover 1,000

■ ALUMINIUM ALLOY (\$ per tonne)

Close 1315-25 1320-25

Previous 1310-15 1310-15

High/low 1320/1305

AM Official 1315-20

Kerb close 1315-20

Open int. 4,132

Total daily turnover 594

Total monthly turnover 10,188

■ LEAD (\$ per tonne)

Close 454-5 456-70

Previous 452-5 456-70

High/low 452-5 456-70

AM Official 453-3 456-5

Kerb close 454-5

Open int. 10,188

Total daily turnover 10,347

Total monthly turnover 16,492

■ NICKEL (\$ per tonne)

Close 5520-25 5530-50

Previous 5500-25 5510-50

High/low 5500-25 5510-50

AM Official 5485-50

Kerb close 5485-50

Open int. 16,914

Total daily turnover 10,188

Total monthly turnover 16,492

■ ZINC (\$ per tonne)

Close 5520-50 5530-75

Previous 5500-50 5510-75

High/low 5500-50 5510-75

AM Official 5485-50

Kerb close 5485-50

Open int. 10,188

Total daily turnover 10,347

Total monthly turnover 16,492

■ CHROME (TIN) (\$ per tonne)

Close 5520-50 5530-75

Previous 5500-50 5510-75

High/low 5500-50 5510-75

AM Official 5485-50

Kerb close 5485-50

Open int. 10,188

Total daily turnover 10,347

Total monthly turnover 16,492

■ HIGH GRADE COPPER (COMEX)

Close 5520-50 5530-75

Previous 5500-50 5510-75

High/low 5500-50 5510-75

AM Official 5485-50

Kerb close 5485-50

Open int. 10,188

Total daily turnover 10,347

Total monthly turnover 16,492

■ PRECIOUS METALS

LONDON BULLION MARKET

(Prices supplied by M Rothchild)

Gold (troy oz.) 5 price

Opening 375.50-75.50

Morning fix 376.45

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CURRENCIES AND MONEY

MARKETS REPORT

Dollar wobbles

The Federal Reserve yesterday took the unusual step of intervening in the markets to stop the dollar from falling through previous lows, writes *Philip Gavith*.

After repeated bouts of intervention, the US currency was trading in the evening at Y103 and DM1.6640 after touching intra-day lows of Y100.55 and DM1.6430.

The Fed first bought dollars for DMarks at DM1.6590 per dollar, and then later at DM1.6586 and DM1.66. It bought dollars for yen at Y101.45-101.50 and again at Y101.90.

The last time the Fed intervened, at the behest of the Treasury, to support the dollar was on August 17 last year when the dollar fell to Y100.30.

Elsewhere, comments from Mr Hans Tietmeyer, the Bundesbank president, suggesting that German interest rates might fall faster than anticipated, led to frenzied trading in

Euromark futures.

The Fed's intervention was confirmed by Mr Lloyd Bentsen, the US treasury secretary, who commented: "US monetary authorities intervened today in foreign exchange markets to counter disorderly conditions. This is in line with our previously articulated policy which recognises that excessive volatility is counterproductive to growth. We stand

Dollar

DM per \$

Yen per \$

\$ per £

DM per £

FFr per DM

French franc

Pounds

Bank of England

Bank of Japan

Bank of Germany

Bank of France

Bank of Italy

Bank of Switzerland

Bank of Norway

Bank of Sweden

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LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission. Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Talieman system, they are not in order of execution but in ascending order, which denotes the day's highest and lowest dealing.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 555(2) stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

£ Bearer at special prices. £ Bearer at special prices.

British Funds, etc

Treasury 13 1/2% Stk 2000/03 - £128.12/128.24

Exchequer 10 1/2% Stk 2003 - £19.26/19.46

Corporation and County Stocks

Imperial Corp 3% (1992) 1632(20 after - 1624) 22/24/94

London Metropolitan Borough Council 7% Ln Stk 2010 (Reg Int Corp Trust) - 225.00/275.75

London City Council 11 1/2% Ln Stk 2008 - 1314 22/24/94

London City Council 13% Ln Stk 2008 - 1314 22/24/94

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FT MANAGED FUNDS SERVICE

• FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4376 for more details.

FT MANAGED FUNDS SERVICE

- FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

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WORLD STOCK MARKETS

AMERICA

Dow ignores bond market weakness

all Street

stocks moved ahead yesterday morning as investors bid further weakness in bond market and focused a fresh batch of economic news, writes Frank McCourt in New York.

At 1 pm, the Dow Jones Industrial Average was 11.30 per at 3,879.61 while the broadly based Standard & Poor's 500 was up 1.89 at 391 in brisk activity.

The Commerce Department said that personal income in March increased 0.6 per cent, while personal spending was up 0.4 per cent. Both figures matched expectations.

The data's suggestion of improving confidence was reinforced by the University of Michigan's index of consumer sentiment, which climbed to 92.6, from March's reading of 91.5.

Bonds, meanwhile, continued to slide, with the day's data doing nothing to shore up the market.

To add to its woes, the dollar was down sharply against other currencies, making the US-denominated securities less attractive to overseas buyers.

Europe

Bourse sentiment mixed after positive April

sentiment was mixed as news came to the end of a five month, writes Our Staff.

FRANKFURT came out of the month with a 5.3 per cent gain.

Richard Frahm, of Merck in Dusseldorf, said that has been the year of the chemicals, with BMW, Volkswagen, Hoechst, MAN and Mannesmann taking five of the top places among Dax constituents.

AMSTERDAM drifted lower again, the AEX index losing 2.75 to 413.06 on the day, and 14 per cent on the week.

The market was in a holding phase ahead of next Tuesday's general election. While it was likely that there might be significant changes in the composition of the parliament, Hoare Govett commented that in the medium term the elections would prove to be a non-event for the Dutch financial markets since, whoever led the next government, there was unlikely to be a radical change in economic policy.

Unilever eased F1.390 to F1.207.10 in response to news that it had initiated legal action against Procter & Gamble after the latter had alleged that one of its new washing powders rotten clothing.

STOCKHOLM was lifted to a 1.4 per cent improvement.

A PACIFIC

long Kong off 2.5% as region corrects

overnight decline in the triggered a downward correction among most of the region's markets.

Hong Kong was closed yesterday by Golden Week holiday. The market will re-open Monday, but will then be closed until Friday.

HONG KONG lost 2.15 per cent as the Hang Seng index fell below the 9,000 level on being triggered by Wall Street's overnight drop and gains over a possible interest rate rise.

The Hang Seng fell 197.02 to 47,21 per cent down on week; turnover stayed thin preliminary HK\$3.11bn, up HK\$3.2bn.

Hong Kong Association sinks after the market had cut its interest rates, which rose after the US Fed's rate quarter point rise on Friday.

If that a major south-east Asian institution had cut its interest rates, which rose after the US Fed's rate quarter point rise on Friday.

SINGAPORE followed US stock and bond markets lower, but its fall was limited by interest in quality bank stocks and selected property issues - the latter after early falls as investors realised that a new government land sale scheme would have little impact on

of evidence to indicate that the economy remained on a sound footing, allowing the market to quell the uneasiness triggered by Thursday's data on growth in the first quarter.

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Lautro says insurer's failures had risks for likely customers

Norwich Union fined £300,000

By Alison Smith

Norwich Union, one of Britain's biggest insurers, yesterday became the second company in three days to receive a record £300,000 fine from Lautro, the life insurance industry watchdog.

The fine was imposed for breakdowns in management control relating particularly to the implementation of higher training and competence standards.

The regulator was also concerned about recruitment procedures and "fact finds" — the checking of information gathered by sales agents about customers. It said the failures "had risks for potential customers".

A month ago, Norwich Union

announced that it was suspending 800 sales agents — including its entire life and pensions direct sales force — so they could be retrained.

The insurer said yesterday that 53 per cent of the sales representatives taking the training programme had passed all three elements to the test and had returned to selling from Monday of this week. Those who have failed but pass at a later attempt will be back on the road by the end of next month.

While the fine equals the current record — a similar penalty was levied on Premium Life on Wednesday — Lautro could well impose even higher amounts in the coming weeks. It has warned

for some time that companies that had failed to correct inadequacies in meeting regulatory requirements by the time of a second round of routine inspection visits could expect more severe penalties, and these are now materialising.

Indeed, Lautro's recognition that Norwich Union responded "thoroughly and effectively" in carrying out remedial action will have been taken into account by the watchdog's disciplinary committee in setting the fine.

The insurer admitted the charge of misconduct, and will also have to pay Lautro's costs of £25,000.

Mr Alan Bridgewater, group chief executive, insisted that in

general customers should not have been put at a disadvantage. "Our business quality control processes check that customers have received appropriate advice. For that reason there should be few, if any, cases where unsuitable advice has been given". He added that NU would pay full compensation in any such case.

The misconduct was in NU's investment business carried on by its 600 direct sales agents and some 200 appointed representatives between January 1992 and November last year.

The charge did not affect Norwich Union's business through independent financial advisers and Leeds Permanent Building Society.

Major urges Tories to sink their differences for EU poll

By Philip Stephens,
Political Editor

Mr John Major yesterday sought to cover the latest cracks in the Conservative party over Europe by pledging to promote the cause of "Euro-realism" in the run-up to the June elections for the Strasbourg parliament.

His attempt to rebuild a facade of unity between the party's enthusiasts and sceptics was accompanied by a renewed warning from Mr Douglas Hurd, the foreign secretary, that it could not go back on its historic commitment to Europe.

Mr Michael Heseltine, the trade and industry secretary, meanwhile accused the party's sceptics of "undermining the prime minister" and damaging the Conservatives' chances in next week's local elections.

He said party workers would be appalled at the behaviour of some Tory MPs.

In a clear message to those on the Tory right at Westminster who have suggested Britain could disengage from the European Union, Mr Hurd said that

talk of withdrawal was "out of touch with reality".

He told a Conservative meeting in Plymouth: "Our party took Britain into the European Community in the 1970s. Anybody seeking to reverse that decision is now out of touch with reality, and with all the questions of politics and security which western Europe will have to tackle in the years ahead."

Tories "score election own goal" — Page 5

Mr Major offered the same message on a local election tour in Bury when he underlined the economic and security interests of Britain to the EU.

But refusing to be labelled either a Europhile or a Eurosceptic, Mr Major stressed that a commitment to a leading role for Britain in the EU did not mean accepting every suggestion or plan from Brussels. Instead Britain would argue the case for Euro-realism.

As both men laid out a strategy designed to unite all but the most

extreme anti-Europeans, Mr Hurd stressed also that the Conservatives were the only party opposed to a centralised European Europe.

Mr Hurd, dismissing suggestions that Mr Major had sought to appease the Tory right by giving the manifesto a more sceptical tone, suggested that 90 per cent of the Tory party would offer whole-hearted support for the government's platform.

Trailing the party's manifesto for the June campaign, Mr Hurd said his belief in a free trading, decentralised, outward-looking Europe was reflected increasingly in the mood in the rest of the EU.

He said the Liberal Democrats, the main threat to the Conservatives in south-west England, were like the Labour party wedded to the Brussels centralism which would lead to a European superstate.

But ministers acknowledged that the attempt by Tory Eurosceptics to seize the initiative threatened a constant series of potential upsets in a campaign which could be critical to Mr Major's future as prime minister.

S African parties set to challenge poll results

By Michael Holman and Mark Suzman in Johannesburg and Patrik Waldmeir in Ustund

South Africa will wait anxiously most of this weekend for the results of the general election, widely acknowledged to have been flawed, after thousands of last-minute voters in the country's former tribal homelands cast their votes to end the historic four-day exercise.

All the main parties have complained of mismanagement and irregularities in procedures to prepare the ground for challenging the results, although their officials acknowledge that rejecting the outcome could destabilise the country.

Electoral officials yesterday said first results could be available by this afternoon at the earliest, but a clear picture of the outcome is unlikely before tomorrow.

Two areas in particular, both highly susceptible to party political pressure, could be critical in determining both the result and the extent to which it will be regarded as free and fair.

Millions of voters in the rural areas of northern Natal, a stronghold of Chief Mangosuthu Buthelezi's Inkatha Freedom party, and in the Transkei and Ciskei fiefdoms of Mr Nelson Mandela's African National Congress, were due to vote yesterday. But election observers privately expressed concern that many more voting papers had been issued than there were voters; they were also worried about the lack of security arrangements at polling stations.

ANC leaders yesterday repeated allegations that Inkatha had been involved in fraud and said it had presented a list of complaints to the Independent Electoral Commission. But Ms Justice Johann Krieger, the head of the commission, shrugged off accusations of incompetence and maladministration.

Another senior official said:

"Ministers committed to deregulation have no intention of doing anything that would undermine occupational pensions. We do not want a new pensions regulator setting down hundreds of new rules".

However, ministers are likely to face strong pressure to accept the Goode committee's final recommendations in full.

The social security committee plans to take evidence from employers, many of which have expressed concern about having member-appointed trustees. Ministers are confident the committee's final recommendations will be in line with its thinking, but

one or two Labour MPs may issue a minority report.

The government is also leaning

towards a self-regulatory structure in which the industry funds the regulator, contrary to the Goode committee's recommendation that a new pensions regulator should be funded from general revenues. "I believe the regulator we will see will be a pale shadow of what we recommended," Mr James said.

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